THE UNDER SECRETARY OF DEFENSE

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ACQUISITION AND TECHNOLOGY

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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SUBJECT: 1995 Base Realignments and Closures (BRAC 95) -- Policy Memorandum One

Background

Deputy Secretary of Defense memorandum of January 7, 1994, (attached) established policy, procedures, authorities, and responsibilities for selecting bases for realignment or closure under Public Law (P.L.) 101-510, as amended, for the 1995 base closure process (BRAC 95). This memorandum is the first in a series of Under Secretary of Defense for Acquisition and Technology (USD(A&T)) policy memoranda implementing the Deputy Secretary's BRAC 95 guidance.

Application of P.L. 101-510 Thresholds

This guidline amplifies the DepSecDef January 7, 1994, policy guidance on P.L. 101-510 numerical thresholds.

In determining whether the Act's numerical closure or realignment thresholds are met, independent actions that result in closures or realignments shall be considered separately. In other words, independent actions affecting an individual installation need not be aggregated to apply the numerical thresholds of the Act. However, closure or realignment actions shall not be broken into smaller increments for the purpose of avoiding application of the Act. Subject to the foregoing, independent closure or realignment actions that do not exceed the numerical thresholds set forth in the Act may proceed outside the established BRAC 95 process. Questions regarding whether or not proposed actions are independent should be referred to DoD Components' General Counsel.

Conversely, as the DoD Components review their base structure or conduct functional studies with base closure or realignment impacts, a determination must be made as to whether a comprehensive review or study impacting more than one installation should be considered a single action under P.L. 101-510. To be considered a single action, the review or study must:

(1) Result in the closure or realignment of at least one installation which would trigger the numerical thresholds of P.L. 101-510; and

(2) Involve inextricably linked elements, in that failure to proceed with any one element of the action would require reevaluation of the entire action.

Capacity/Military Value Analyses

An early step in BRAC 95 evaluations is determining whether a category/subcategory has potential excess capacity for the end state force levels contained in the Force Structure Plan. Should no excess capacity be found in a category/subcategory, there is no need to continue analyzing that portion of the base structure, unless there is a military value or other reason to continue the analysis (such as a cross-category opportunity to look at installations with similar capabilities, but in different categories). Bases in such categories/subcategories shall remain subject to joint cross-service review and remain available as potential receivers of missions or functions.

Conversely, if a DoD Component recommends a base for closure or realignment, the supporting analysis must have considered all bases within that category/subcategory, as well as cross-category opportunities. If, in applying the military value criteria, you find bases that are militarily/geographically unique or mission-essential (such that no other base could substitute for them) you may justify that fact and exclude these bases from further analysis. Bases so excluded shall remain subject to joint cross-service review and remain available as potential receivers of missions or functions.

Return on Investment (ROI)

Return on investment must be calculated, considered and reported with DoD Components' justifications for each recommended installation closure or realignment package. All costs and savings attributable over time to a closure or realignment package, subject to the below guidance, should be calculated, including costs or savings at receiving locations. Costs or savings elements that are identified, but determined to be insignificant, need not be calculated. However, DoD Component records should indicate that determination.

The Cost of Base Realignment Actions (COBRA) model calculates return on investment. DepSecDef's January 7, 1994, policy memorandum requires the DoD Components to use the most current COBRA version, in order to ensure consistency in methodology. Although the model does not produce budget quality data, it uses standard cost factors and algorithms to estimate costs and savings over time which permit a consistent comparison of bases in a functional or installation category.

We recognize that DoD Component planning and accounting mechanisms are sufficiently different to warrant some Department/Agency specific standard cost factors in the COBRA model. DoD Component documentation must justify the use of such cost factors, particularly when performing cross-service analysis.

Specific instructions follow for the calculation of discount and inflation rates, health care costs, Homeowners Assistance Program, and savings for input to the COBRA model.

o Discount and Inflation Rates OMB Circular A-94 specifies the discount and inflation rates to be used in ROI calculations.

o Health Care Costs

oo CHAMPUS Costs Base closures and realignments can have an impact on CHAMPUS costs DoD-wide. These net cost impacts must be included in analysis of closures or realignments involving Military Treatment Facilities.

o Homeowners Assistance Program (HAP) The Secretary of the Army will provide each DoD Component with a list of installations that have a reasonable probability of having a HAP program approved, should the installations be selected for closure or realignment. HAP costs will be included for each of the installations so identified by the Secretary of the Army.

o Land Value Given existing law and practice regarding the disposal of real property, especially public benefit and economic development transfers, proceeds from the sale of land and facilities generally may not be realized. In cases where some proceeds can be expected, DoD Components must estimate the amount to be received for such real property. Estimated land and facility proceeds will generally be based on the anticipated reuse of the land and facilities, assuming appropriate zoning. Also, where an installation has unique contamination problems, a portion of the installation may have to be segregated from disposal so that community reuse may proceed on the balance. Estimated proceeds should be adjusted: for any such parceling, including discounting proceeds when sale of contaminated property is possible only after the cleanup remedy has been installed and

approved; for reduced prices where property is likely to be sold for restricted uses; or, when significant public benefit or economic development transfers are anticipated.

o Force Structure Savings The savings associated with force structure drawdowns shall not be included in the return on investment calculations. While declining force structure, as depicted in the required Force Structure Plan, will often be the underlying reason for recommending base closures or realignments, the savings associated with closing bases should generally be founded on the elimination of base operating support (BOS), infrastructure and related costs.

o Military Construction DoD Components will describe anticipated construction requirements (barracks square feet, etc.) to implement a BRAC recommendation and not actual projects. These requirements only become projects during the implementation phase after the 1995 Commission reports to the President and after installation site surveys are conducted and formal project documents (DD 1391s) are prepared.

o Construction Cost Avoidances Closing and realigning bases can result in construction cost avoidances. Cost avoidances should include FY96-01 programmed military and family housing construction that can be avoided at the closing or realigning bases, other than new-mission construction.

COBRA Model Assumptions

The following statements clarify certain cost assumptions written into the COBRA model:

o Local Moves Moves of less than 50 miles will not incur PCS moving costs.

o Priority Placement System Costs. Sixty percent of all employees will be placed in other jobs through the DoD Priority Placement Program. Fifty percent of all employees placed in other jobs through the Program will be relocated at government expense. These percentages are based on historical data.

o Employee Attrition and Turnover. Fifteen Percent of all employees will not need to be placed or severed due to normal attrition and turnover.

o Retirement Factors. Fifteen percent of all employees are eligible for retirement. Five percent of those are eligible for normal retirement and ten percent are eligible for early retirement.

o Homeowner's Assistance Program (HAP). The HAP home value rate is 22.9 percent. The HAP receiving rate is 5 percent.

o Students For the purposes of return on investment calculations, relocation of students will only impact the COBRA model's calculation of overhead costs, and as appropriate, estimates of military construction requirements.

Receiving Bases

DoD Components must identify receiving bases for large units or activities, including tenants, which are to be relocated from closing or realigning bases. Such relocations must be included in DoD Component's recommendations to the Secretary of Defense. The COBRA model will calculate the costs for relocating such units or activities. DoD Components do not need to identify specific receiving bases for units or tenants with less than 100 civilian/military employees. Finding homes for these activities can be left to execution. However, DoD Components should establish a generic "base x" within the COBRA model to act as the surrogate receiving base for the aggregation of these smaller units or activities, in order to ensure completeness of cost and savings calculations.

Reserve Enclaves

This expands on the DepSecDef January 7, 1994, policy guidance on Reserve Component impacts.

On each base designated for closure or realignment, the future of guard and reserve units of all Military Departments residing on or receiving support from that base must be considered. Once a decision has been made to include an enclave or to relocate guard and reserve units, the affected unit identifications must be included in the DoD Components' recommendations to the Secretary of Defense. Military construction and repair costs of fitting out an enclave for reserve component or guard use will be estimated and included as part of the return on investment calculations.

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