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June 27, 2011

The Honorable Tim Johnson  
Chairman  
The Honorable Mark Kirk  
Ranking Member  
Subcommittee on Military Construction,  
Veterans Affairs, and Related Agencies  
Committee on Appropriations  
United States Senate

*Subject: Military Buildup on Guam: Costs and Challenges in Meeting Construction Timelines*

In 2004, the bilateral U.S. and Japanese Security Consultative Committee began a series of sustained security consultations to strengthen the U.S.-Japan security alliance by establishing a framework for the future of the U.S. force structure in Japan. The United States and Japan agreed to reduce the U.S. force structure in Japan while maintaining the U.S. force presence in the Pacific theater by relocating units to other areas, including Guam. As part of this effort, called the Defense Policy Review Initiative, about 8,600 Marines and 9,000 dependents were to move from Okinawa, Japan, to Guam by a projected date of 2014, as described in the bilateral agreement.<sup>1</sup> On June 21, 2011, however, United States and Government of Japan officials noted that completion of the Marine relocation will not meet the previously targeted date of 2014, but confirmed their commitment to complete the relocation at the earliest possible date after 2014.<sup>2</sup> The Department of Defense (DOD) also plans to move other military forces and equipment to Guam on different schedules in implementing a new strategic approach in the Pacific as part of its worldwide Integrated Global Presence and Basing Strategy. These latter initiatives involve each of the military services and the Army National Guard working concurrently to complete infrastructure projects to support Guam-based U.S. forces and their dependents. If the initiatives are implemented as planned, the Guam-based DOD population would

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<sup>1</sup>Agreement Between The Government Of The United States Of America And The Government Of Japan Concerning The Implementation Of The Relocation Of III Marine Expeditionary Force Personnel And Their Dependents From Okinawa To Guam (Feb.17, 2009). We refer to this agreement as “the bilateral agreement,” and enclosure I contains the signed agreement in its entirety.

<sup>2</sup>Security Consultative Committee Document Progress on the Realignment of U.S. Forces in Japan (June 21, 2011). The Security Consultative Committee Document is a joint document issued at the conclusion of the most recent United States-Japan Security Consultative Committee meeting, attended by Secretary of State Hillary Rodham Clinton, Secretary of Defense Robert M. Gates, Minister for Foreign Affairs Matsumoto, and Minister of Defense Kitazawa.

grow from about 15,000 in 2007 to about 39,000 by 2020. As you requested, we evaluated issues surrounding DOD's military buildup on Guam. Specifically, we (1) examined the estimated military construction costs for the buildup and determined whether bid savings<sup>3</sup> existed for military construction projects in fiscal years 2009 and 2010, and (2) assessed certain challenges that DOD faces related to the buildup.

To examine the estimated military construction costs for the buildup, we interviewed and collected data from officials in the Office of the Under Secretary of Defense (Comptroller), the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics), the Director of the Office of the Secretary of Defense Cost Assessment and Program Evaluation, the Joint Guam Program Office, and the Departments of the Army, Navy, and Air Force. To determine whether military construction bid savings existed for military buildup projects in fiscal years 2009 and 2010, we subtracted the services' planned obligations from the amounts appropriated or otherwise designated for a project for all 13 projects awarded during that time frame. We corroborated the calculations with cognizant military service officials. We also reviewed the statutory authorizations to transfer or reprogram bid savings<sup>4</sup> to other projects. Through document reviews and interviews with agency officials knowledgeable about the services' cost, obligation, and appropriation data, the systems that produced them, and the internal controls used to maintain the integrity of the data, we determined that the data were sufficiently reliable for our purposes. To assess the challenges related to the buildup, we reviewed the United States and Japan bilateral agreement on the Marine Corps force relocation from Okinawa to Guam; drafts of the Navy's Guam Joint Military Master Plan; the 2001, 2006, and 2010 Quadrennial Defense Review reports; the Interagency Coordination Group of Inspectors General for Guam Realignment annual reports for 2009 and 2010; and final environmental impact statements for Navy and Air Force projects and accompanying records of decision. Additionally, we reviewed our prior reports that described some challenges of implementing the military buildup on Guam (see the Related GAO Reports list at the end of this report). We interviewed officials from the offices of the Under Secretary of Defense (Policy); the Under Secretary of Defense (Comptroller); the Under Secretary of Defense (Acquisition, Technology and Logistics); the Deputy Under Secretary of Defense (Installations and Environment); the Joint Staff; Army, Navy, Air Force, and Marine Corps headquarters, command, and installation staff; the Navy's Joint Guam Program Office; and Joint Region Marianas. We met with officials at U.S. Pacific Command and its service components and Guam-based DOD officials planning the buildup. We discussed funding and planning challenges for off-installation road and other projects with officials from the U.S. Department of the Interior's Office of Insular Affairs and DOD's Office of Economic Adjustment.

We conducted this performance audit from May 2010 through June 2011 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

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<sup>3</sup>DOD and Congress consider bid savings to be the difference between the appropriated or otherwise designated amount for a military construction project and the obligated amount for that project.

<sup>4</sup>For example, Section 128 of Division E of the Consolidated Appropriations Act, 2010 Pub. L. No. 111-117 (2009).

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Summary

The military buildup on Guam is likely to cost about \$7.5 billion in military construction funding from fiscal years 2009 through 2016, according to the latest estimates by DOD. However, DOD has yet to fully identify some costs associated with the buildup. For example, DOD has not developed cost estimates for the air and missile defense task force that may be placed on Guam. In addition, construction for future facilities for the Air Force Guam Strike initiative is expected to occur over a 16-year period, which extends beyond the current costs that the Air Force has estimated through fiscal year 2015. Moreover, DOD's total costs will be higher once life-cycle costs are included in these estimates. In addition, the Government of Japan is expected to provide up to an additional \$6.09 billion in funding for infrastructure and facilities to support the Marine Corps relocation, which includes directly funding up to \$2.8 billion in military construction projects on Guam, including utilities and site improvements for future facilities. Japan is also expected to fund up to \$3.29 billion in special purpose entity loans and equity investments for installation support infrastructure for utilities and for military family housing, and, according to DOD officials, Japan is expected to recoup most of these funds over time in the form of repayments from the U.S. government and rents paid by Marine Corps servicemembers through their housing allowances. The Government of Guam is largely responsible for obtaining funding for needed off-installation infrastructure projects, such as off-base roads and utilities, and it estimated that it needs approximately \$3.2 billion for buildup-related projects and programs. In addition, we found that DOD, the Government of Japan, and the Government of Guam total cost estimates for the Guam-based military buildup are almost \$23.9 billion to date, including the \$3.29 billion that Japan is expected to recoup over time. We also found that DOD had bid savings of about \$93 million for 11 of the 13 military construction projects for which it had awarded contracts in fiscal years 2009 and 2010 to support the Guam buildup. In these cases, the winning contract bids were lower than the amounts that Congress had appropriated or the amount that was otherwise designated for the project. However, bid savings may often be used to offset cost overruns on other projects or future requirements for a specific military construction project or for other projects around the world without further congressional authorization. In the cases we examined, most of the bid savings were applied to offset the impact of rescissions of military construction appropriations or had been transferred or reprogrammed to other projects as of the time of our report.

DOD continues to update but has not yet finalized its Guam Joint Military Master Plan (master plan) for the military buildup on Guam and faces certain unresolved challenges which may delay some construction projects, although it has taken some steps to address many of these challenges. The congressional defense committees have been requesting a master plan for Guam since 2006. Delays in finalizing the master plan may lead DOD to make budget requests for military construction projects for the relocation of the Marines from Okinawa, Japan, to Guam without reasonable

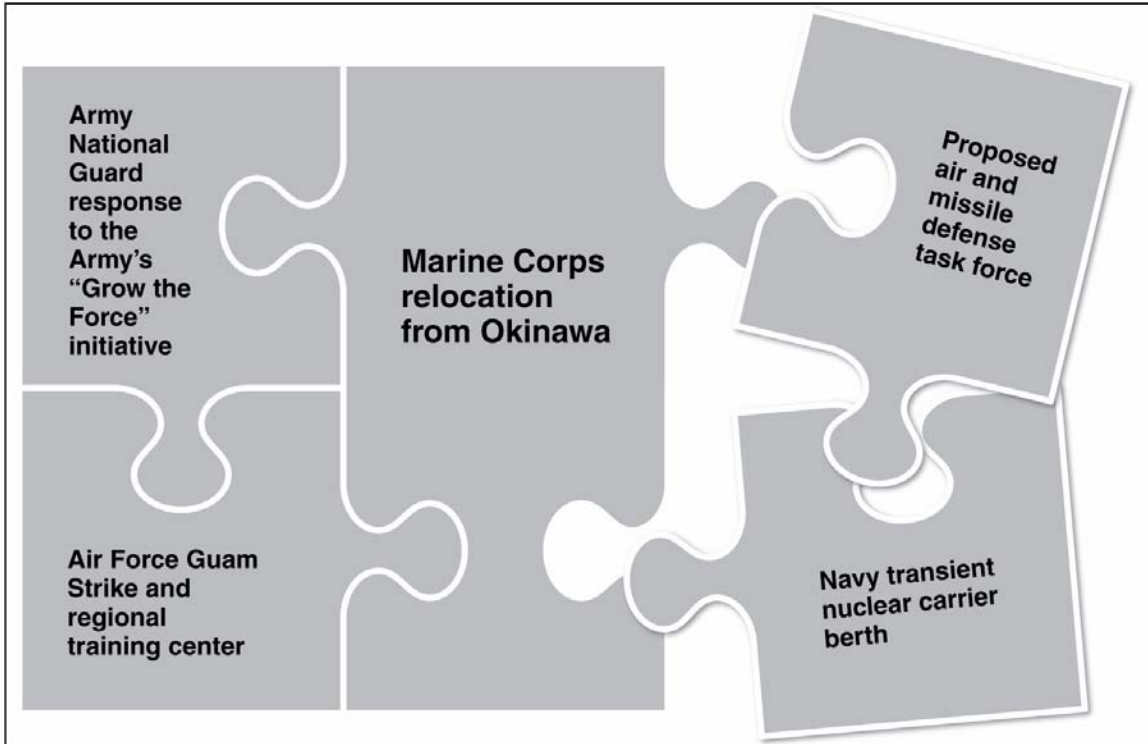
assurances that the funds are needed in the time frame in which they are being requested. Moreover, certain challenges could delay some construction projects, making it increasingly difficult to meet the planned deadlines for the different components of the buildup. These challenges include the Navy's deferral of decisions on (1) selection of a site for the live-fire training range complex on Guam to support needed Marine Corps training, (2) selection of a site for the transient aircraft carrier berth within Apra Harbor, and (3) the potential deployment of an air and missile defense task force on Guam and the construction of associated infrastructure to support the task force. Other challenges include unresolved decisions with the governments of Japan or Guam, such as determining when Japan will begin making "tangible progress" toward constructing a new airbase in Okinawa, which is part of the bilateral agreement between the United States and Japan to move the Marine Corps forces to Guam; finalizing the terms and conditions for the use of special purpose entities for housing and utilities; and defining the role of a new interagency advisory group, all of which could delay some projects supporting the buildup. DOD has taken steps to address many of the challenges associated with the military buildup on Guam, although many issues remain unresolved. In addition to its ongoing coordination with the governments of Japan and Guam and other federal agencies, DOD is also making progress in incorporating new information into its draft master plan, promoting interagency coordination among federal agencies, and identifying off-base infrastructure improvements and socioeconomic needs to help the Government of Guam prepare for the military buildup.

We are not making any recommendations in this correspondence. After reviewing a draft of this product, DOD officials said the department would not provide a formal response. However, DOD provided technical comments that have been incorporated as appropriate in this correspondence.

## Background

The Defense Policy Review Initiative and relevant Integrated Global Presence and Basing Strategy elements together account for five major components that, if fully implemented, will result in an increase in the DOD population on Guam from about 15,000 personnel in 2007 to about 39,000 by 2020. Figure 1 displays the five components.

**Figure 1: Five Components of the Military Buildup on Guam**



Source: GAO analysis of DOD data as of April 2011.

### Marine Corps' Relocation from Okinawa to Guam Is the Largest Component of the Buildup

The largest component of the buildup is the planned relocation of elements of the Marine Corps' III Marine Expeditionary Force from Okinawa to Guam. If implemented as planned, about 8,600 Marines and their estimated 9,000 dependents will move from Okinawa to Guam under the Defense Policy Review Initiative agreement between the United States and Japan.<sup>5</sup> The relocation requires significant facilities and infrastructure construction to support the forces and their families,

<sup>5</sup>The Defense Policy Review Initiative was preceded by the Special Action Committee on Okinawa. The United States and Japan released the Final Report of the Special Action Committee on Okinawa on December 2, 1996. The report made 27 recommendations to reduce the impact of the U.S. military presence on the Okinawan people, including building a replacement facility for Marine Corps Air Station Futenma elsewhere on Okinawa. We reported on the plans at the time. See GAO, *Overseas Presence: Issues Involved in Reducing the Impact of the U.S. Military Presence on Okinawa*, GAO/NSIAD-98-66 (Washington, D.C.: Mar. 2, 1998).

including needed training and operations facilities on Guam or in the Commonwealth of the Northern Mariana Islands. Moreover, in a subsequent bilateral agreement signed by the U.S. Secretary of State and Japanese Minister of Foreign Affairs in February 2009, the United States and Japan agreed that the III Marine Expeditionary Force relocation to Guam is dependent on “tangible progress” by Japan toward the completion of a replacement for Marine Corps Air Station Futenma on Okinawa, which is to close and be replaced by a new base commonly referred to as the “Futenma Replacement Facility.” The replacement facility is planned to be built in a less densely populated area in northern Okinawa and will provide a home base for aviation elements of the III Marine Expeditionary Force that will remain on Okinawa. If implemented as planned, this initiative will relocate a Marine Aviation Group, Logistics Squadron, and several helicopter squadrons to the Futenma Replacement Facility by the projected date of 2014. The Futenma Replacement Facility is planned to be constructed in a location that will require substantial landfill, including portions that are currently under water, thus requiring significant land reclamation. While it is difficult to determine at this time what, if any, impact the March 11, 2011, earthquake, tsunami, and associated nuclear reactor incident will have on current agreements and initiative construction plans, DOD officials have said that there is potential for increases in the cost of materials and labor in Asia. Furthermore, on June 21, 2011, United States and Government of Japan officials noted that completion of the Futenma Replacement Facility and the Marine relocation will not meet the previously targeted date of 2014, but confirmed their commitment to complete the above projects at the earliest possible date after 2014.

#### DOD’s Integrated Global Presence and Basing Strategy and Force Structure Increase Are to Add New Forces to Guam

The other four major components of the Guam buildup result from elements of DOD’s global basing strategy, prior Quadrennial Defense Reviews, and the Army’s “Grow the Force” initiative:<sup>6</sup>

- Two Air Force initiatives comprise the second largest component of the Guam buildup. These include (1) developing a global hub, known as “Guam Strike,” for intelligence, surveillance, reconnaissance, strike, and aerial refueling capabilities at Andersen Air Force Base; and (2) relocating Pacific Air Force’s expeditionary training centers from the Korean peninsula to Guam. Guam Strike is intended as a multifaceted strike force able to respond quickly when needed. Air Force officials told us that military construction has begun for Guam Strike and will continue through at least fiscal year 2022. The Pacific Air Force Regional Training Center was established to support the movement of Air Force personnel from the Korean Peninsula to Andersen Air Force Base to support the U.S. Global Defense Posture Review and the United States Forces Korea-Republic of Korea Security Policy Initiative agreement to reduce the number of troops on the Korean Peninsula by 12,500. Air Force officials told us

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<sup>6</sup>In January 2007, the Secretary of Defense announced an initiative to expand the Army to a total of 1,112,000 active and reserve soldiers by fiscal year 2013—an increase of 74,200 military personnel—in order to meet increasing strategic demands and to help reduce stress on the force.

that military construction has begun for the training center and will be completed in fiscal year 2016.

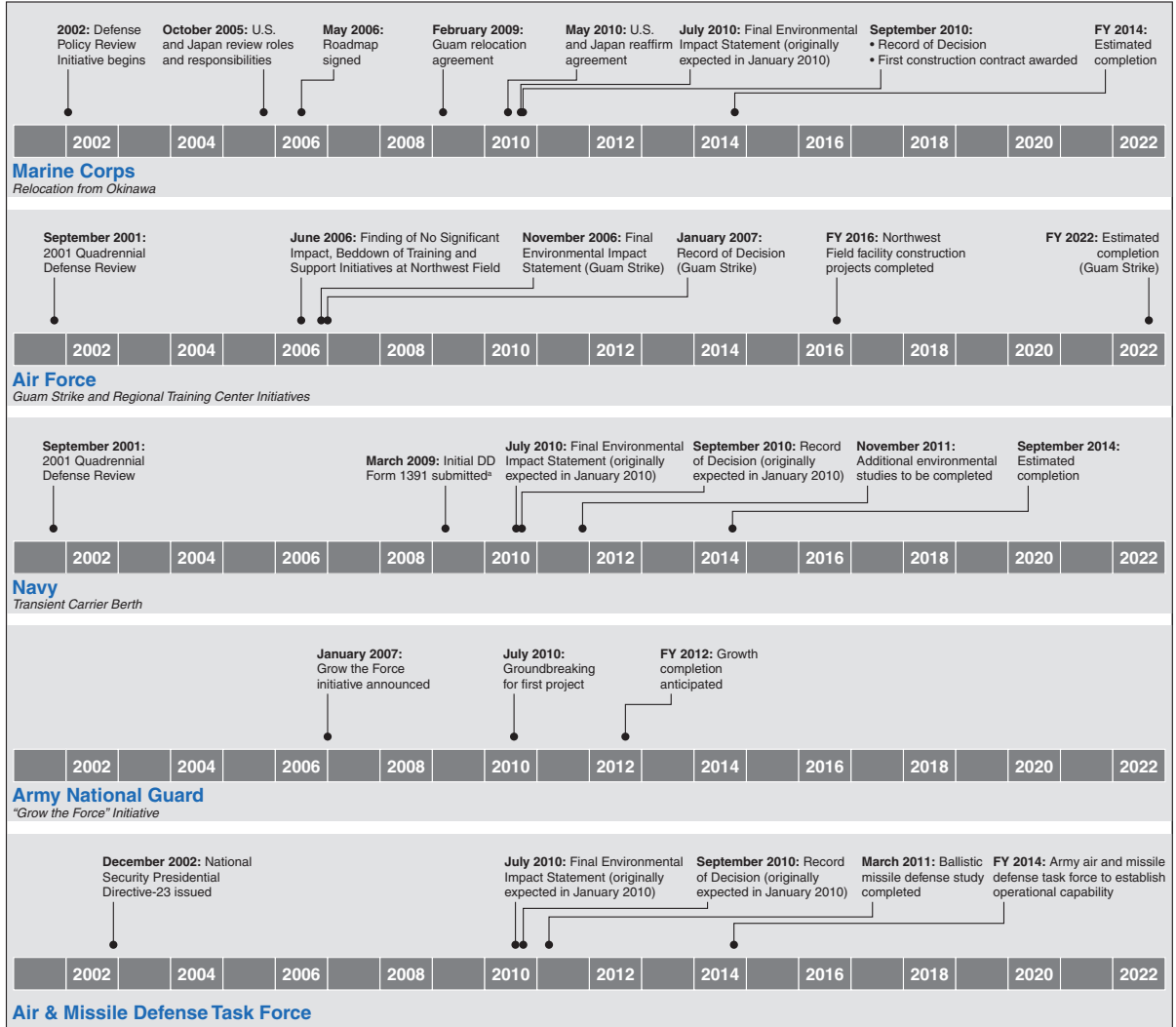
- The third component of the Guam-based buildup is the Navy's plan to enhance facilities, infrastructure, and logistic capabilities at Naval Base Guam to accommodate the berthing of transient nuclear aircraft carriers and their support vessels. This component supports DOD's redefinition of the U.S. defense posture in the Pacific, which calls for increasing the availability of aircraft carrier strike groups in the region.
- The fourth military buildup component is the Army National Guard's plan to build additional facilities at an existing installation, Navy Barrigada, to accommodate the Guard's increase in personnel. This increase is part of the Army National Guard's contribution to the Army's "Grow the Force" initiative, with the growth on Guam anticipated to total about 1,300 staff and family members by fiscal year 2012.
- The fifth component is the potential stationing of an air and missile defense task force on Guam. However, a decision to proceed is pending the results of ongoing regional and global ballistic missile defense architectural and capability studies to determine whether the task force could be placed on Guam to protect its citizens and U.S. and allied forces from ballistic missile attacks and, if so, which service would perform the mission.<sup>7</sup>

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<sup>7</sup>National Security Presidential Directive-23, dated December 16, 2002, directed DOD to establish a capability, beginning in 2004, to protect the United States, deployed forces, and allies from ballistic missile attacks.

DOD has developed estimated timelines for each component of the military buildup. Figure 2 displays the major milestones and planned completion dates for each component.

**Figure 2: DOD-Estimated Timelines for Each Component of the Military Buildup on Guam**



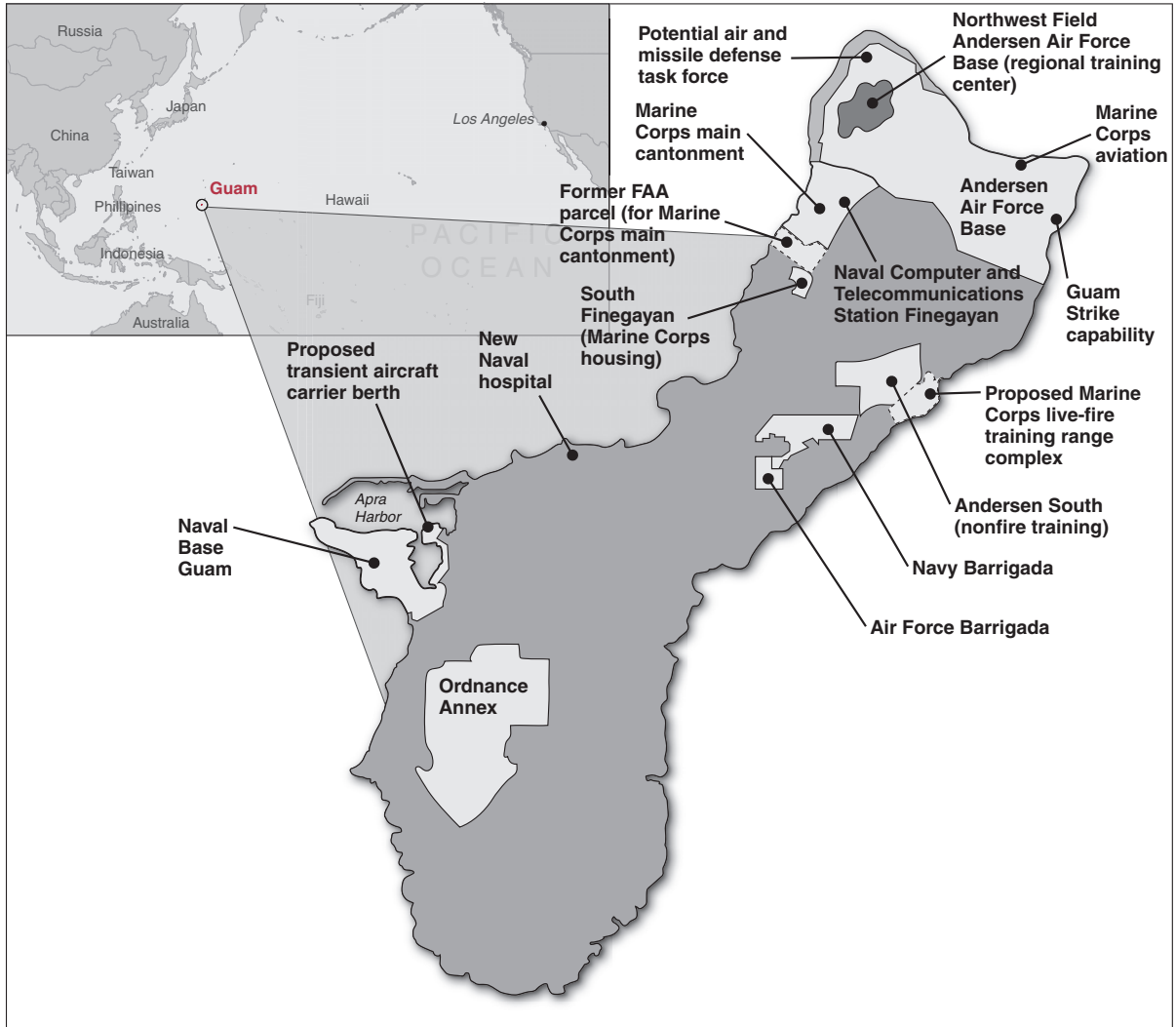
Source: GAO analysis of DOD data.

<sup>a</sup>DOD Financial Management Regulation 7000.14-R, Volume 2B, Chapter 6 designates that a DD Form 1391, *Military Construction Project Data*, is used by DOD to submit requirements and justifications in support of funding requests to Congress for military construction projects.



Facility and infrastructure projects supporting the five components will be located throughout Guam, as shown in figure 3.

**Figure 3: Current and Proposed Locations of DOD Facility and Infrastructure Projects for the Five Components of the Military Buildup on Guam**



Source: GAO analysis of DOD data; Map Resources (map).

Notes: Dotted lines show the proposed location of the live-fire training range complex and the preferred alternative for Marine Corps main cantonment. The Navy is building a new hospital at the same location as the existing one and construction has begun.

## **Estimated Military Construction Costs and Bid Savings to Date**

### Near-Term Military Construction Costs Have Been Estimated, but Not All Buildup Costs Have Been Identified

In the near-term, during fiscal years 2009 through 2016, the military buildup on Guam is likely to cost about \$7.5 billion for military construction, according to the latest estimates by DOD. This estimate does not include up to \$3.29 billion that is expected to be recouped by Japan from its contribution to the buildup. Moreover, DOD has yet to fully identify some costs for the Guam-based military buildup. For example, DOD has not yet developed cost estimates for the air and missile defense task force that may be placed on Guam. Table 1 displays those military construction costs and time frames for incurring costs which DOD had estimated through fiscal year 2016, as of the time of our report. In addition to the estimated military construction costs for the five components, we also include cost estimates for an additional training range in the Northern Mariana Islands and the Defense Access Roads program, which will fund off-installation intersection, bridge, and roadway improvements.<sup>8</sup>

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<sup>8</sup>The Defense Access Roads program is co-administered by DOD and the Department of Transportation and is a means for DOD to pay its “fair share” of public road improvements needed in response to sudden and unusual defense-generated traffic impacts to help ensure adequate transportation capacity is in place when needed.

**Table 1: Estimated DOD Military Construction Costs for the Facilities and Infrastructure, Including the Defense Access Roads Program, Needed to Support Each Component of the Buildup (by Estimated Time Frame)**

(Dollars in millions)

Components and Defense Access Roads program	Cost estimates	Estimated time frame to incur costs (fiscal years)
Marine Corps Relocation from Okinawa (Defense Policy Review Initiative)	\$4,200 <sup>a</sup>	2010-2014
Training Range in the Commonwealth of the Northern Mariana Islands	1,900 <sup>b</sup>	2012-2015
Air Force Guam Strike and Pacific Air Force Regional Training Center	847	2009-2015
Navy Transient Nuclear Aircraft Carrier Berth	291	2011-2016
Army National Guard Response to the Army's "Grow the Force" initiative	57	2010-2014
Proposed Air and Missile Defense Task Force	To be determined	To be determined
Defense Access Roads Program	191	2010-2014
<b>Total</b>	<b>\$7,486</b>	

Source: GAO summary of DOD data.

<sup>a</sup>This entry represents military construction cost estimates. In our report, *Defense Management: Comprehensive Cost Information and Analysis of Alternatives Needed to Assess Military Posture in Asia*, GAO-11-316 (Washington, D.C.: May 25, 2011), we stated that U.S. cost estimates for the Marine Corps relocation from Okinawa to Guam were about \$11.3 billion, which includes an additional \$7.1 billion that the Marine Corps estimated may include the costs to outfit, furnish, and maintain buildings constructed by Japan and to move personnel and equipment into consolidated locations.

<sup>b</sup>According to the Navy's final environmental impact statement, Guam cannot accommodate all training for the realigned Marine Corps forces; therefore, DOD has identified locations in the Northern Mariana Islands that could provide additional land for training. Marine Corps officials have estimated that building this additional training range could cost approximately \$1.9 billion or more, of which \$1 billion would cover costs such as military construction, planning and development, environmental compliance, and combat arms training ranges from fiscal years 2012 through 2015. According to the Marine Corps officials, the remaining cost for full development of the training capabilities and capacity in the Northern Mariana Islands was at least \$900 million over an unspecified period of time.

Service officials acknowledged that, as of March 2011, these cost estimates are only for the military construction or infrastructure projects during the estimated time frames. They expect to incur additional military construction project costs for some components beyond the time frames shown in the table. For example, construction for Air Force Guam Strike is expected to occur over a 16-year period. Therefore, there will be additional military construction costs beyond the fiscal year 2015 cost estimates shown above. As we have recently reported, the Marine Corps has estimated that an additional \$7.1 billion may be required in the future to complete the move from Okinawa to Guam—\$4.7 billion for additional construction costs and \$2.4 billion for costs associated with utilities, labor, and procurement of military equipment.<sup>9</sup> In addition, congressional committees have requested that DOD provide

<sup>9</sup>GAO, *Defense Management: Comprehensive Cost Information and Analysis of Alternatives Needed to Assess Military Posture in Asia*, GAO-11-316 (Washington, D.C.: May 25, 2011).

Congress a plan detailing the total cost estimate for each facility and infrastructure item required to complete the Marines' relocation to Guam. Moreover, since the cost estimates for all of the components of the buildup do not include life-cycle costs, total costs will be higher over the life of the DOD facilities.<sup>10</sup>

The Government of Japan is expected to provide up to \$6.09 billion in funding for infrastructure and facilities to support the Marine Corps relocation. Of this amount, the bilateral agreement states that Japan agreed to directly fund up to \$2.8 billion in military construction projects on Guam to develop infrastructure and facilities for the relocation, including utilities and site improvements for future facilities, barracks, and health clinics. Japan is also expected to fund up to \$3.29 billion in special purpose entity loans and equity investments for installation support infrastructure for on-base water wells and storage; off-installation power, wastewater, and water systems improvements; and military family housing. According to DOD officials, most of this \$3.29 billion is expected to be recouped by Japan over time in the form of service charges paid by the United States and in rents paid by Marine Corps servicemembers using their DOD-provided overseas housing allowance. DOD officials said that special purpose entities would most likely be limited liability companies or partnerships formed for the specific purpose of providing a particular utility service or other services on Guam.<sup>11</sup>

The Government of Guam would be largely responsible to obtain funding for needed off-installation infrastructure projects. These projects include road, water and sewer, electric power, and potentially other infrastructure improvements. DOD and some non-DOD agencies could augment the Government of Guam's revenue sources to fund such projects by contributing additional funds through existing intergovernmental grant processes that could add to federal government costs. DOD's Office of Economic Adjustment has provided technical and financial assistance to the Government of Guam in preparation for the buildup since July 2006. We previously reported in November 2009, that the Government of Guam estimated that it needs approximately \$3.2 billion for buildup-related projects and programs.<sup>12</sup>

In table 2, we summarize the DOD, the Government of Japan, and the Government of Guam cost estimates for the Guam-based military buildup that so far total almost \$23.9 billion, including the \$3.29 billion that Japan is expected to recoup over time. In May 2011, we reported total cost estimates of \$19.3 billion for the initiatives in Guam and the Northern Mariana Islands that are associated with one of the five components of the military buildup on Guam—the Marine Corps relocation from Okinawa.<sup>13</sup> In the

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<sup>10</sup>Life-cycle cost estimates include all direct and indirect costs for planning, procurement, operations and maintenance, and disposal.

<sup>11</sup>Pub. L. No. 111-84 § 2832(a) defines special purpose entities as any private person, corporation, firm, partnership, company, State or local government, or authority or instrumentality of a State or local government that the Secretary of Defense determines is capable of producing military family housing or providing utilities to support the realignment of military installations and the relocation of military personnel on Guam.

<sup>12</sup>GAO, *Defense Infrastructure: Guam Needs Timely Information from DOD to Meet Challenges in Planning and Financing Off-Base Projects and Programs to Support a Larger Military Presence*, GAO-10-90R (Washington, D.C.: Nov. 13, 2009).

<sup>13</sup>In GAO-11-316, we reported that this amount comprises U.S. funding of \$4.2 billion for military construction projects and \$7.1 billion for additional Marine Corps requirements for the relocation, U.S.

table below, we also include the military construction costs of about \$7.5 billion that have been identified to date for three of the components of the buildup (for the Air Force, Navy, and Army National Guard), the training range in the Northern Mariana Islands, and the Defense Access Roads program. (As noted earlier, DOD has not yet developed cost estimates for the fifth component of the Guam-based military buildup—the air and missile defense task force that may be placed on Guam.) The table below also identifies the additional Marine Corps requirements of \$7.1 billion to complete the move to Guam, Government of Japan funding of up to \$6.1 billion for infrastructure and facilities projects to support the Marine Corps relocation, and cost estimates of \$3.2 billion for the Government of Guam.

**Table 2: DOD, Government of Japan, and Government of Guam Cost Estimates for the Military Buildup on Guam**

(Dollars in millions)

<b>DOD, Government of Japan, and Government of Guam</b>	<b>Cost estimates</b>
DOD—Military Construction Projects (total from table 1)	\$7,486
DOD—Additional Marine Corps Requirements <sup>a</sup>	7,100
Government of Japan—Direct funding	2,800
Government of Japan—loans and equity investments	3,290
Government of Guam or non-DOD federal agency grants-in-aid <sup>b</sup>	3,179
<b>Total</b>	<b>\$23,855</b>

Source: GAO summary of DOD data.

<sup>a</sup>The Marine Corps has estimated these additional costs to complete the relocation of Marines from Okinawa to Guam; however, they have not been validated by DOD.

<sup>b</sup>The Government of Guam figures represent estimated funding required as of September 2009, the latest available. We reported these figures in GAO-10-90R, November 13, 2009.

### Bid Savings Identified for 11 of 13 Military Construction Contracts

In our analysis of the 13 military construction projects for which DOD had awarded contracts in fiscal years 2009 and 2010 to support the Guam buildup, we identified about \$93 million in bid savings—differences between the appropriated or otherwise designated amounts and the obligated amounts—for 11 of the projects. Specifically, the winning contract bid was lower than the amount that Congress had appropriated or had otherwise been designated for the project in all but two cases. However, Congress has provided DOD authority, subject to limitations, to transfer and reprogram funds among military construction projects.<sup>14</sup> Thus, bid savings may be

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funding of \$1.9 billion for the Northern Mariana Islands training range, and Government of Japan funding of up to \$6.1 billion.

<sup>14</sup>For example, Section 128 of Division E of the Consolidated Appropriations Act, 2010 provided DOD with authority to transfer funds among fiscal year 2010 military construction projects and activities, subject to certain rules and exceptions. DOD's transfer and reprogramming authorities for Military

used to offset cost overruns or future requirements for a specific military construction project or for other projects around the world. As a result, as of the time of our report, DOD and military service officials had already applied most of these bid savings to certain congressional rescissions of military construction appropriations or had reprogrammed leftover funds to other uses, as shown in table 3.

**Table 3: GAO's Assessment of Bid Savings for 13 Military Construction Projects (Fiscal Years 2009 and 2010)**

Project	Appropriated or designated amount	Obligated amount	Difference	Use identified for savings
Air Force Combat Community Maintenance Facility	\$5,200,000	\$4,346,364	\$853,636	\$698,000 for Eielson Air Force Base repair project, leaving \$155,636 not reprogrammed.
Realign Arc Light Boulevard	5,400,000	6,287,404	(887,404)	No savings; winning bid was higher than appropriated or designated amount.
Naval Base Guam Wastewater Upgrade	26,070,000	15,492,000	10,578,000	Navy applied to \$51,468,000 rescission in Pub. L. No. 111-117 (2009).
Central Utility Plant, Naval Hospital	30,000,000	15,574,134	14,425,866	Applied to \$93,268,000 rescission in Pub. L. No. 111-117 (2009).
F-22 Electrical Support	1,800,000	1,737,055	62,945	Unspecified minor construction project; savings not applicable.
Commando Warrior Operations Facility	4,200,000	3,931,699	268,301	Air Force applied to \$64,091,000 rescission in Pub. L. No. 111-117 (2009).
Northwest Field Perimeter Fence and Road	4,752,000	4,337,661	414,339	Air Force applied to \$64,091,000 rescission in Pub. L. No. 111-117 (2009).
Army National Guard Readiness Center	30,000,000	20,500,000	9,500,000	Army identified this amount will be applied to offset one or more rescissions, but could not immediately identify which rescissions it would be applied to.
Strike Forward Operating Location Electrical Infrastructure	33,750,000	29,807,430	3,942,570	Air Force applied to \$64,091,000 rescission in Pub. L. No. 111-117 (2009).
Combat Support Vehicle Maintenance Facility	15,500,000	14,496,360	1,003,640	Air Force applied \$578,000 to cost overrun on postal facility, and \$426,000 to \$64,091,000 rescission in Pub. L. No. 111-117 (2009).
Military Working Dog Relocation	14,000,000	12,504,656	1,495,344	Naval Facilities Engineering Command Project Manager explained that obligated amount increased to about \$12.5 million with \$1,495,344 use not identified.
New Naval Hospital	259,156,000	208,000,000	51,156,000	Applied to \$125,500,000 rescission in Pub. L. No. 112-10 (2011).
Apra Harbor Wharf Improvements	127,033,000	127,033,000	0	No savings realized.
<b>Total</b>	<b>\$556,861,000</b>	<b>\$464,047,763</b>	<b>\$92,813,237</b>	

Source: GAO analysis of DOD or military service data.

Construction are primarily implemented in the DOD Financial Management Regulation 7000.14-R, Volume 3, Chapter 7: *Reprogramming Of Military Construction And Family Housing Appropriated Funds* (March 2011).

DOD attributes the savings to favorable construction market conditions, which may not persist over the course of the buildup period.

### **DOD Has Not Finalized Its Master Plan and Faces Certain Unresolved Challenges That May Delay Some Construction Projects**

DOD is updating its Guam Joint Military Master Plan but has not finalized it. The congressional defense committees have been requesting a master plan for Guam since 2006. Delays in finalizing the plan may lead DOD to seek budget requests for military construction projects for the relocation of the Marines from Okinawa, Japan, to Guam without reasonable assurances that the funds are needed in the time frame in which they are being requested. Moreover, certain challenges could delay some construction projects, making it increasingly difficult to meet the components' planned deadlines.

#### DOD Continues to Update but Has Not Finalized Its Master Plan

As of May 2011, DOD had not finalized its draft Guam Joint Military Master Plan and provided it to Congress. In 2008, the Navy's Joint Guam Program Office estimated that it could complete a comprehensive master plan within 90 days of finalizing the record of decision.<sup>15</sup> The record of decision, which was completed in September 2010, represents the decisions of the Navy and the Army regarding proposed actions on three components of the military buildup on Guam. However, during our review, DOD officials told us that they had updated the draft master plan again in November 2010, after finalizing the record of decision, but the revised plan was still under review within DOD in May 2011. Since 2006, the congressional defense committees have been requesting a master plan for Guam. In that year, the Senate Armed Services Committee first directed the Secretary of Defense to submit such a plan for Guam, noting that the buildup would require a well-developed master plan to efficiently use the available land and infrastructure. More recently, in the conference report accompanying the Ike Skelton National Defense Authorization Act for Fiscal Year 2011, the conferees recommended that authorizations for future construction projects to support the movement of Marine Corps forces to Guam be deferred until DOD provides Congress with an updated master plan for Guam and other information.<sup>16</sup> We have previously reported on the need for DOD to provide congressional defense committees with annual updates of the Guam working-level plan until a comprehensive master plan is finalized and submitted to Congress.<sup>17</sup> However, Congress' ability to oversee the entire Guam military buildup and make appropriately timed funding decisions is likely to be hampered until DOD completes the plan and provides it to Congress.

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<sup>15</sup>Department of the Navy and Department of the Army, Record of Decision for Guam and Commonwealth of the Northern Mariana Islands Military Relocation including Relocating Marines from Okinawa, Transient Nuclear Aircraft Carrier Berth, Air and Missile Defense Task Force (Sept. 2010).

<sup>16</sup>Committee Print of the House of Representatives Committee on Armed Services No.5, Legislative Text and Joint Explanatory Statement to Accompany H.R. 6523, Public Law 111-383 (Dec. 22, 2010).

<sup>17</sup>GAO, *Defense Infrastructure: Opportunity to Improve the Timeliness of Future Overseas Planning Reports and Factors Affecting the Master Planning Effort for the Military Buildup on Guam*, GAO-08-1005 (Washington, D.C.: Sept. 17, 2008).

## Deferred Decisions Related to Three Components May Delay Construction Project Completion

As noted in the record of decision, DOD deferred decisions related to three components of the buildup, which may delay the timelines for the military construction projects on Guam. First, in its July 2010 final environmental impact statement, the Navy identified two alternative locations for a live-fire training range complex off Route 15 on Guam, explaining that every Marine on Guam would require annual training with individual weapons to maintain combat readiness, and that high-volume training of this kind could only be met with ranges located in close proximity to the Marine installation. Additionally, the environmental impact statement indicated that the Navy estimated that the facility would typically be used 5 days a week, 45 weeks a year. Subsequently, in the September 2010 record of decision, the Navy disclosed that it had deferred selection of the range's specific site, pending completion of the consultation process under the National Historic Preservation Act. Additionally, the recently signed programmatic agreement that documents consultations under the National Historic Preservation Act states that DOD will consult with the various parties to the agreement and the public to address range location, orientation, and design within any area that may be selected in the Navy's record of decision for the live-fire training range complex, in order to avoid, minimize, and mitigate potential direct and indirect effects on historic properties. Therefore, once a site for the Marine Corps training range complex is selected, there are likely to be additional consultations that may have an impact on associated construction projects and the overall timeline for the Marine Corps relocation. Moreover, ongoing litigation related to this project could further delay site selection and construction. DOD considers completion of the live-fire training range as a necessary prerequisite for the Marine Corps relocation to proceed, so further delays make it increasingly difficult to meet the original projected Marine Corps relocation timeline.

Second, in its record of decision, the Navy deferred final site selection for the aircraft carrier wharf at Apra Harbor, although the final environmental impact statement identified a preferred site. The Navy plans to make the final site selection after completing its collection of additional environmental data on marine resources that could be affected by port dredging, wharf operations, and the turning basin to be located in front of the wharf. DOD officials told us that these studies were expected to be completed in November 2011 and would be incorporated into a supplemental environmental impact analysis before final site selection. This project is not part of the bilateral agreement for the Marine Corps relocation from Okinawa, although the Navy had separately planned to complete the project in September 2014. DOD officials subsequently told us that the carrier wharf construction budget request was now projected to be in the Navy's fiscal year 2014 military construction program budget. As a result, since the project is expected to take 3 years to complete, it would be unlikely to be completed before 2017 (assuming it is requested and funded in fiscal year 2014)—3 years after the Navy's original 2014 estimated completion date.

Third, DOD has not decided whether to place an air and missile defense task force on Guam and which service would have the mission. DOD is awaiting the results of ongoing regional and global ballistic missile defense architectural and capability



studies to determine whether to assign this mission to the Army.<sup>18</sup> However, the Army included its deliberations on the environmental impact of the proposed task force in the Navy's environmental impact statement since the Army could be assigned the mission. Inclusion in the environmental impact statement process helps avoid the additional time and cost of completing a separate environmental assessment later. Army officials said that the Terminal High-Altitude Area Defense system was expected to be integral to the task force but was in production and not expected to be available before fiscal year 2015.<sup>19</sup> The ballistic missile defense initiative is a separate component which is not part of the Marine Corps relocation described in the bilateral agreement, although the draft Guam Joint Military Master Plan specified that the task force was to be operational around 2014. However, if DOD assigned the mission to the Army, the task force is unlikely to be operational by 2014. Army officials stated that the Army is not committing funding for any buildup activities on Guam related to the task force until a ballistic missile defense task force is approved for Guam and DOD assigns the mission to the Army. If the Army is assigned the mission, officials estimated that it would then take another 2 years of planning and design before the Army could even begin to program any military construction funds for the task force into its budget, which may delay the estimated 2014 operational date.

#### Unresolved Decisions with the Governments of Japan or Guam May Also Slow Construction Progress

The bilateral agreement between the United States and Japan specifies that the relocation of elements of the III Marine Expeditionary Force is dependent on “tangible progress” toward completion of the Futenma Replacement Facility on Okinawa. The location for the replacement facility will require substantial landfill, which will include reclaiming land from the sea for the needed new airfield. However, the Governor of Okinawa had not signed the landfill permit at the time of our report, and DOD officials did not know when the permit would be signed and thus when the Marine Corps forces would actually move to Guam. Furthermore, as noted earlier, the United States and the Government of Japan officials recently acknowledged that completion of the Futenma Replacement Facility and the Marine relocation will not meet the previously targeted date of 2014, but confirmed their commitment to complete these actions at the earliest possible date after 2014.

Decisions surrounding the use of special purpose entities for housing and utilities were still being negotiated between DOD and the governments of Japan and Guam at the time of our report. First, Joint Guam Program Office officials told us that DOD and Government of Japan representatives continue to meet to refine the structure for the housing special purpose entities, stating that the deadline for issuing the housing requests for proposal is directly related to when the Marine Corps will require

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<sup>18</sup>DOD officials told us that, although one study was completed in March 2011, they are still analyzing the baseline results. They expect the analysis of this study to be completed around the end of July 2011.

<sup>19</sup>The Terminal High-Altitude Area Defense system is being developed as a rapidly deployable, ground-based missile defense system with the capability to defend against short- and medium-range ballistic missiles during their late midcourse and terminal phases. A Terminal High-Altitude Area Defense battery includes interceptor missiles, three to six launchers, an X-band radar, and a fire control and communications system.

housing for the families on Guam. However, if military family housing is not available when needed, then the relocation of Marine Corps forces from Okinawa will likely be delayed. Second, Joint Guam Program Office officials stated that utility agreements for power and wastewater are to be executed between the governments of Japan and Guam, and DOD's only role would be as a rate-paying customer. However, these officials told us that negotiations for the utility special purpose entities were ongoing. As we have previously reported, there are a number of actions that need to be taken to create the special purpose entities for utilities, including development and approval of a business model for the special purpose entities, the evaluation of qualifications and service proposals, the selection and creation of the entities, and construction,<sup>20</sup> which would need to be completed in time to handle the added requirements for an estimated peak in fiscal year 2013 of about 20,000 construction laborers.

Unresolved Decisions on the Role of a New Interagency Advisory Group May Limit Opportunity to Resolve Challenges That Could Otherwise Delay Some Projects

The record of decision stated that DOD established a Civil-Military Coordination Council to implement a new approach for the military buildup on Guam. Unresolved decisions on the role of the new Civil-Military Coordination Council advisory group in implementing a new approach to flexibly sequencing military construction and public utilities infrastructure projects could lead to some project delays. However, if effectively implemented, the council could help to avoid, for example, public utilities' capacity problems. Specifically, the Navy has developed an approach to sequencing and timing military construction projects known as "adaptive program management" in order to avoid significant environmental impacts or exceeding Guam's infrastructure capabilities, particularly with the increased number of workforce personnel needed to support the proposed construction. According to DOD officials, adaptive program management is to be implemented through the Civil-Military Coordination Council comprised of officials from the Government of Guam, DOD, and other federal agencies. According to DOD officials, the council's working groups are to monitor construction tempo, construction sequencing, or other actions and make recommendations on project sequencing and timing to the council in light of utilities' capacity at the location of the military construction, environmental concerns, and impacts on social services. In the case of utilities, the council would in turn make recommendations to DOD or other agencies to try to ensure that the capacity of public utilities is adequate to meet the needs of the construction crews and newly constructed military facilities at the time that the added capacity is needed. Using adaptive program management and based on recommendations from the council, DOD could change the timing and execution of construction contract awards if the capacity of the public utilities infrastructure is known to be inadequate in the location of a given military construction project and redirect construction to occur in locations with adequate capacity. For its part, the Government of Guam is

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<sup>20</sup>GAO, *Defense Infrastructure: Planning Challenges Could Increase Risks for DOD in Providing Utility Services When Needed to Support the Military Buildup on Guam*, GAO-09-653 (Washington, D.C.: June 30, 2009).

responsible for public utilities and other infrastructure off the installations.<sup>21</sup> The Government of Guam would be positioned to try to expand its utility capacity in sequence with DOD to ensure that adequate capacity existed at military construction sites and newly constructed military facilities when needed.

However, the council's current operating charter had not been finalized as of May 2011, and only one additional meeting has been held since the initial meeting in October 2010. DOD officials told us that the second meeting of the Civil-Military Coordination Council, originally planned for February 2011, was postponed to allow time for the new governor of Guam to fill his positions on the council and for participants to agree upon the structure of the council. The second meeting was subsequently held in May 2011, and officials told us they plan to finalize the current operating charter by August 2011. DOD officials said that the absence of a final charter would not prevent buildup-related construction activities from beginning and the current operating charter may be followed until it is finalized. However, if the council's role is not well defined, it is not clear how effectively DOD will be able to implement adaptive program management in order to help monitor the buildup and its impact on the environment and infrastructure on Guam.

### DOD Has Begun to Address Buildup Challenges

DOD has taken some steps to address many of the challenges to the military buildup on Guam. In addition to its ongoing coordination with the governments of Japan and Guam and other federal agencies, DOD is also making progress in incorporating new information into its draft master plan, promoting interagency coordination among federal agencies, and identifying off-base infrastructure improvements and socioeconomic needs to help the Government of Guam prepare for the military buildup.

- Although DOD has not finalized its Guam Joint Military Master Plan, the Navy's Joint Guam Program Office and the Naval Facilities Engineering Command have continued to update the draft plan. In 2009, for example, we recommended that DOD develop a comprehensive utility plan for inclusion in the final Guam Joint Military Master Plan.<sup>22</sup> In July 2010, DOD updated the draft master plan to include basic information about utilities requirements. For example, DOD has included a proposed schedule for wastewater, water, and power infrastructure improvements, which should also assist in implementing adaptive program management. DOD officials told us that the draft master plan will continue to be updated as more information, such as special purpose entities operating procedures, becomes available.
- Additionally, DOD exhibited high-level leadership in coordinating with other federal agencies and with the Government of Guam to address off-installation challenges related to the military buildup. Specifically, we had recommended that the Economic Adjustment Committee consider Guam's requests for

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<sup>21</sup>As noted previously, the Government of Japan is expected to fund up to \$3.29 billion in special purpose entity loans and equity investments for off-installation power, wastewater, and water systems improvements.

<sup>22</sup>GAO-09-653.

assistance to address the challenges.<sup>23</sup> DOD officials told us that the Economic Adjustment Committee met four times in fiscal year 2010 to address the military buildup and ordered certain actions. For example, as a result of the February 2010 committee meeting, DOD's Office of Economic Adjustment led an interagency effort to validate necessary off-installation facilities and services critical for Guam to absorb the population growth resulting from the buildup. This planning is being incorporated into budget requests to support the military buildup. For example, in addition to the \$33 million requested by DOD for Government of Guam requirements, the President's fiscal year 2012 budget also requests approximately \$33.7 million in non-DOD commitments to Guam, including \$18 million for the U.S. Department of Transportation for road and highway requirements not addressed by the Defense Access Roads program, \$3.1 million for the U.S. Department of Interior for technical assistance to improve tax collection and grant writing, a Sub-Office of Insular Affairs on Guam, and ambulances and fire equipment; \$3 million for the U.S. Department of Housing and Urban Development for mental health and substance abuse; and \$9.6 million for the U.S. Environmental Protection Agency for clean water and drinking water grants.

We are not making any recommendations in this correspondence. After reviewing a draft of this product, DOD officials said the department would not provide a formal response. However, DOD provided technical comments that have been incorporated as appropriate in this correspondence.

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We are sending copies of this report to the appropriate congressional committees. We are also sending copies to the Secretary of Defense; the Secretaries of the Army, the Navy, and the Air Force; the Commandant of the Marine Corps; the Secretary of the Interior; and the Director of the 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>.

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<sup>23</sup>The Secretary of Defense, or his designee, is the chair of the Economic Adjustment Committee. The committee is made up of representatives from 22 federal agencies but the Executive Order gives DOD a leadership role in coordinating interagency efforts in support of defense-affected communities. The committee is to ensure, among other things, that communities that are substantially and seriously affected by DOD actions are aware of available federal economic adjustment programs; assure coordinated interagency and intergovernmental adjustment assistance; and serve as a clearinghouse to exchange information among federal, state, regional, and community officials involved in the resolution of community economic problems. See GAO, *Defense Infrastructure: High-Level Leadership Needed to Help Guam Address Challenges Caused by DOD-Related Growth*, GAO-09-500R (Washington, D.C.: Apr. 9, 2009).

If you or your staff have any questions concerning this report, please contact me at (202) 512-4523 or leporeb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in enclosure III.

A handwritten signature in black ink, reading "Brian Lepore". The signature is written in a cursive style with a large initial "B" and a long, sweeping underline.

Brian J. Lepore, Director  
Defense Capabilities and Management

**Enclosure I: Agreement Between The Government Of The United States Of America And The Government Of Japan Concerning The Implementation Of The Relocation Of III Marine Expeditionary Force Personnel And Their Dependents From Okinawa To Guam**

The Government of the United States of America and the Government of Japan,

Affirming that the United States-Japan security arrangements, based on the Treaty of Mutual Cooperation and Security between the United States of America and Japan signed at Washington on January 19, 1960, are the cornerstone for achieving common security objectives,

Recalling that, at the meeting of the United States-Japan Security Consultative Committee on May 1, 2006, the Ministers recognized that the implementation of the realignment initiatives described in the Security Consultative Committee Document, "United States-Japan Roadmap for Realignment Implementation" (hereinafter referred to as "the Roadmap") will lead to a new phase in alliance cooperation, and reduce the burden on local communities, including those on Okinawa, thereby providing the basis for enhanced public support for the security alliance,

Emphasizing their recognition of the importance of Guam for forward presence of United States Marine Corps forces, which provides assurance of the United States' commitment to security and strengthens deterrent capabilities in the Asia-Pacific region,

Reaffirming that the Roadmap emphasizes the importance of force reductions and relocation to Guam in relation to the realignment on Okinawa and stipulates that approximately 8,000 III Marine Expeditionary Force (hereinafter referred to as "III MEF") personnel and their approximately 9,000 dependents will relocate from Okinawa to Guam by 2014, in a manner that maintains unit integrity, and recognizing that such relocation will realize consolidation and land returns south of Kadena,

Recalling that the Roadmap stipulates that United States Marine Corps CH-53D helicopters will be relocated from Marine Corps Air Station Iwakuni to Guam when the III MEF personnel relocate from Okinawa to Guam, the KC-130 squadron will be based at Marine Corps Air Station Iwakuni with its headquarters, maintenance support facilities, and family support facilities, and the aircraft will regularly deploy on a rotational basis for training and operations to Maritime Self-Defense Forces Kanoya Base and Guam,

Reaffirming that the Roadmap stipulates that, of the estimated ten billion, two hundred seventy million United States dollar (\$10,270,000,000) cost of the facilities and infrastructure development costs for the III MEF relocation to Guam, Japan will provide six billion, ninety million United States dollars (\$6,090,000,000) (in U.S. Fiscal Year 2008 dollars), including two billion, eight hundred million United States dollars (\$2,800,000,000) in direct cash contributions, to develop facilities and infrastructure on Guam to enable the III MEF relocation, recognizing the strong desire of Okinawa residents that such force relocation be realized rapidly,

Reaffirming further that the Roadmap stipulates that the United States will fund the remainder of the facilities and infrastructure development costs for the relocation to Guam-estimated in U.S. Fiscal Year 2008 dollars at three billion, one hundred eighty million United States dollars (\$3,180,000,000) in fiscal spending plus approximately one billion United States dollars (\$1,000,000,000) for a road,

Recalling that the Roadmap stipulates that, within the overall package, the Okinawa-related realignment initiatives are interconnected, specifically, consolidation and land returns south of Kadena depend on completing the relocation of III MEF personnel and dependents from Okinawa to Guam, and the III MEF relocation from Okinawa to Guam is dependent on: (1) tangible progress toward completion of the Futenma Replacement Facility, and (2) Japan's financial contributions to fund development of required facilities and infrastructure on Guam,

Have agreed as follows:

#### Article 1

1. The Government of Japan shall make cash contributions up to the amount of two billion, eight hundred million United States dollars (\$2,800,000,000) (in U.S. Fiscal Year 2008 dollars) to the Government of the United States of America as a part of expenditures for the relocation of approximately 8,000 III MEF personnel and their approximately 9,000 dependents from Okinawa to Guam (hereinafter referred to as "the Relocation") subject to paragraph 1. of Article 9 of this Agreement.

2. The amount of Japanese cash contributions to be budgeted in each Japanese fiscal year shall be determined by the Government of Japan through consultation between the two Governments and reflected in further arrangements that the two Governments shall conclude in each Japanese fiscal year (hereinafter referred to as "the further arrangements").

#### Article 2

The Government of the United States of America shall take necessary measures for the Relocation, including funding for projects of the Government of the United States of America to develop facilities and infrastructure on Guam subject to paragraph 2. of Article 9 of this Agreement.

#### Article 3

The Relocation shall be dependent on tangible progress made by the Government of Japan toward the completion of the Futenma Replacement Facility as stipulated in the Roadmap. The Government of Japan intends to complete the Futenma Replacement Facility as stipulated in the Roadmap in close cooperation with the Government of the United States of America.

#### Article 4

The Government of the United States of America shall use Japanese cash contributions and their accrued interest only for projects to develop facilities and infrastructure on Guam for the Relocation.

## Article 5

The Government of the United States of America shall ensure that all participants in the process of acquisition for projects to be funded by Japanese cash contributions for the Relocation shall be treated fairly, impartially and equitably.

## Article 6

The Government of the United States of America shall designate the Department of Defense of the United States of America as its implementing authority, and the Government of Japan shall designate the Ministry of Defense of Japan as its implementing authority. The two Governments shall hold consultations at the technical level on implementation guidance to be followed by the implementing authorities, and on the specific projects referred to in paragraph 1.(a) of Article 7 of this Agreement. Through such consultations, the Government of the United States of America shall ensure that the Government of Japan shall be involved, in an appropriate manner, in the implementation of the said specific projects.

## Article 7

1. (a) Specific projects to be funded in each Japanese fiscal year shall be agreed upon between the two Governments and reflected in the further arrangements.

(b) The Government of the United States of America shall maintain a United States Treasury account to which the Government of Japan shall provide cash contributions. The Government of the United States of America shall open and maintain, under the said account, a sub-account for Japanese cash contributions in each Japanese fiscal year.

2. Japanese cash contributions and their accrued interest that is contractually committed to pay for specific projects shall be credited, based on the method of calculation using an index to be agreed upon between the implementing authorities referred to in Article 6 of this Agreement, to the total amount of Japanese cash contributions, which is up to the amount of two billion, eight hundred million United States dollars (\$2,800,000,000) (in U.S. Fiscal Year 2008 dollars).

3. (a) In case there remains an unused balance of Japanese cash contributions after the completion of all contracts, as evidenced by receipt of documents releasing the Government of the United States of America from any further financial and contractual liability, for all specific projects funded in the same Japanese fiscal year, the Government of the United States of America shall return the said unused balance to the Government of Japan, except as provided in paragraph 3.(b) of this Article.

(b) The Government of the United States of America may use, with the consent of the implementing authority of the Government of Japan, the unused balance for other specific projects funded in the same Japanese fiscal year.

4. (a) The Government of the United States of America shall return interest accrued from Japanese cash contributions to the Government of Japan, except as



provided in paragraph 4.(b) of this Article, after the completion of all contracts, as evidenced by receipt of documents releasing the Government of the United States of America from any further financial and contractual liability, for the last specific projects funded by Japanese cash contributions.

(b) The Government of the United States of America may use, with the consent of the implementing authority of the Government of Japan, interest accrued from Japanese cash contributions for projects funded by Japanese cash contributions.

5. The Government of the United States of America shall provide the Government of Japan with a report, every month, on transactions in the United States Treasury account, including all the sub-accounts related to Japanese cash contributions.

#### Article 8

The Government of the United States of America shall consult with the Government of Japan in the event that the Government of the United States of America considers changes that may significantly affect facilities and infrastructure funded by Japanese cash contributions, and shall take appropriate actions, taking Japanese concerns into full consideration.

#### Article 9

1. Japanese cash contributions referred to in paragraph 1. of Article 1 of this Agreement shall be subject to funding by the Government of the United States of America of measures referred to in Article 2 of this Agreement.

2. United States' measures referred to in Article 2 of this Agreement shall be subject to: (1) the availability of funds for the Relocation, (2) tangible progress made by the Government of Japan toward the completion of the Futenma Replacement Facility as stipulated in the Roadmap, and (3) Japan's financial contributions as stipulated in the Roadmap.

#### Article 10

The two Governments shall consult with each other regarding the implementation of this Agreement.

#### Article 11

This Agreement shall be approved by the United States of America and Japan in accordance with their respective internal legal procedures. This Agreement shall enter into force on the date when diplomatic notes indicating such approval are exchanged.

IN WITNESS WHEREOF the undersigned, duly authorized for the purpose, have signed the present Agreement.

DONE in duplicate, at Tokyo, in the English and Japanese languages, both equally authentic, this seventeenth day of February, 2009.

FOR THE GOVERNMENT  
OF THE UNITED STATES  
OF AMERICA:

Hillary Rodham Clinton

FOR THE GOVERNMENT  
OF JAPAN:

中曾根弘文

## Enclosure II: GAO Contact and Staff Acknowledgments

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### GAO Contact

Brian Lepore, (202) 512-4523 or [leporeb@gao.gov](mailto:leporeb@gao.gov)

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### Acknowledgments

In addition to the contact named above, Harold Reich, Assistant Director; Karyn Angulo; Pat Bohan; R. Bruce Brown; Wil Holloway; Mae Jones; Josh Margraf; John Van Schaik; Amie Steele; and Michael Willems made key contributions to this report.

## Related GAO Reports

*Defense Management: Comprehensive Cost Information and Analysis of Alternatives Needed to Assess Military Posture in Asia.* GAO-11-316. Washington, D.C.: May 25, 2011.

*Defense Infrastructure: The Navy Needs Better Documentation to Support Its Proposed Military Treatment Facilities on Guam.* GAO-11-206. Washington, D.C.: April 5, 2011.

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*Defense Infrastructure: Guam Needs Timely Information from DOD to Meet Challenges in Planning and Financing Off-Base Projects and Programs to Support a Larger Military Presence.* GAO-10-90R. Washington, D.C.: November 13, 2009.

*Defense Infrastructure: DOD Needs to Provide Updated Labor Requirements to Help Guam Adequately Develop Its Labor Force for the Military Buildup.* GAO-10-72. Washington, D.C.: October 14, 2009.

*Defense Infrastructure: Planning Challenges Could Increase Risks for DOD in Providing Utility Services When Needed to Support the Military Buildup on Guam.* GAO-09-653. Washington, D.C.: June 30, 2009.

*High-Level Leadership Needed to Help Guam Address Challenges Caused by DOD-Related Growth.* GAO-09-500R. Washington, D.C.: April 9, 2009.

*Defense Infrastructure: Opportunity to Improve the Timeliness of Future Overseas Planning Reports and Factors Affecting the Master Planning Effort for the Military Buildup on Guam.* GAO-08-1005. Washington, D.C.: September 17, 2008.

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*Defense Logistics: Navy Needs to Develop and Implement a Plan to Ensure That Voyage Repairs Are Available to Ships Operating near Guam when Needed.* GAO-08-427. Washington, D.C.: May 12, 2008.

*Defense Infrastructure: Planning Efforts for the Proposed Military Buildup on Guam Are in Their Initial Stages, with Many Challenges Yet to Be Addressed.* GAO-08-722T. Washington, D.C.: May 1, 2008.

*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.

*Defense Infrastructure: Overseas Master Plans Are Improving, but DOD Needs to Provide Congress Additional Information about the Military Buildup on Guam.* GAO-07-1015. Washington, D.C.: September 12, 2007.

*U.S. Insular Areas: Economic, Fiscal, and Financial Accountability Challenges.* GAO-07-119. Washington, D.C.: December 12, 2006.

*DOD's Overseas Infrastructure Master Plans Continue to Evolve.* GAO-06-913R. Washington, D.C.: August 22, 2006.

*Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies.* GAO-06-15. Washington, D.C.: October 21, 2005.

*Overseas Presence: Issues Involved in Reducing the Impact of the U.S. Military Presence on Okinawa.* GAO-98-66. Washington, D.C.: March 2, 1998.

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