

## Why GAO Did This Study

To effectively manage facilities, DOD has pursued a strategy including base realignment and closure, privatizing certain base assets, and leasing underused property. To do so, DOD leverages private capital using alternative financing agreements that rely at least in part on means other than full up-front appropriations. The House Armed Services Committee directed GAO to assess the impact of base closures on such agreements and how DOD captures costs associated with projects in the BRAC process. This report (1) describes existing projects on DOD's U.S. bases, as of September 30, 2011; how project legal agreements protect the government's financial interests; and circumstances where DOD could face financial liabilities in the event of base closure; and (2) determines the extent to which DOD's process for estimating costs and savings of base closure candidates captures these liabilities and other costs. GAO reviewed documents; collected information from DOD on projects active as September 30, 2011; and interviewed officials.

## What GAO Recommends

GAO recommends DOD modify BRAC data collection and cost modeling to better indicate possible liabilities arising from such projects. DOD did not concur, noting that "military value" is the primary criterion for BRAC decisions and liabilities will not be known until project negotiations. GAO's recommendations do not preclude optimizing military value, and certain liabilities may be determinable before negotiations. Thus, GAO continues to believe that acting on these recommendations would help improve the BRAC process.

View [GAO-13-337](#). For more information, contact James R. McTigue, Jr. at (202) 512-3766 or [mctiguej@gao.gov](mailto:mctiguej@gao.gov).

## DEFENSE INFRASTRUCTURE

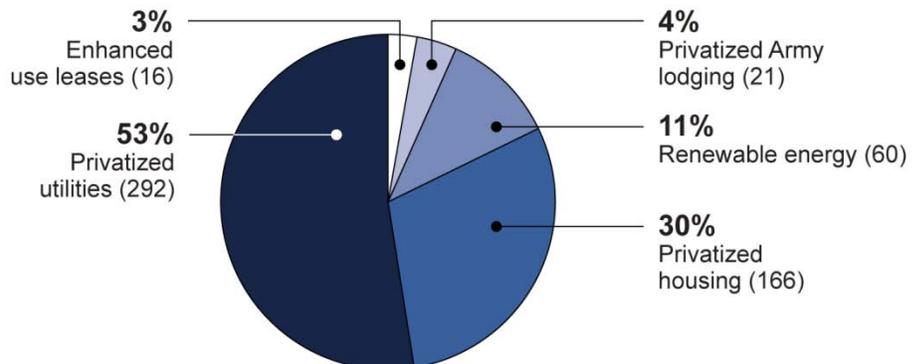
### Improved Guidance Needed for Estimating Alternatively Financed Project Liabilities

## What GAO Found

In the event of future base closure, the Department of Defense's (DOD) potential financial liabilities from alternatively financed projects will vary by project type and the language of its legal agreements. According to GAO's analysis of data reported by DOD, it had more than 550 such projects on more than 240 U.S. installations, as of September 30, 2011. 56 percent of these projects have been put in place since the 2005 Base Realignment and Closure (BRAC) round. Further, according to this analysis and GAO's case study review, liabilities will likely exist for renewable energy and privatized utility projects in the event of base closure because these projects commit the government to making future payments, although the liabilities may be limited by termination for convenience clauses in agreements. In contrast, privatized housing, privatized army lodging, and enhanced use lease projects are generally not expected to create a financial liability if bases close because DOD does not expect to terminate these types of agreements.

GAO found that DOD's use of its Cost of Base Realignment Actions (COBRA) model to estimate the costs and savings of base closure candidates did not capture all costs associated with alternatively financed projects, and identified three possible contributing factors. First, DOD's collection of data on potential base closure costs was not consistent or comprehensive regarding alternatively financed projects. Second, the COBRA model does not provide users with an option to indicate that a cost may exist in cases where officials cannot estimate the costs associated with such projects within the data collection timeframes. Third, some COBRA instructions for entering costs associated with such projects into the model are not consistent or comprehensive. DOD guidance for determining costs and savings of BRAC actions and COBRA model instructions require that DOD consider all costs and savings associated with various base closure scenarios, and GAO has previously reported that decision makers need consistent and comprehensive data. Without a process for collecting consistent and comprehensive cost data, decision makers may face challenges in accurately comparing different scenarios' net costs for future BRAC rounds.

**Alternatively Financed Projects by Project Type, on U.S. Installations, As of September 30, 2011**



Source: GAO analysis of DOD data.

Note: Percentages may not add up to 100 percent due to rounding.