

WASHINGTON UPDATE

GULF COAST INDUSTRY DAY

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Washington Update

Appropriations

Budget

Budget Control Act

Infrastructure

National Defense Authorization Act

Nominations

Tax

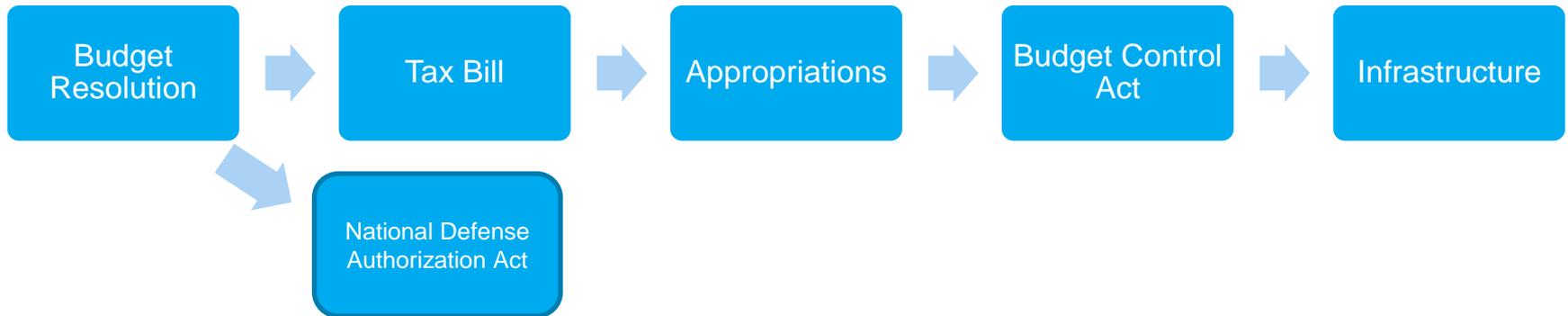
Legislation

- Budget Resolution
 - Sets overall spending
 - Pass with a simple majority
- In order to spend money the Executive Branch needs both an Authorization and an Appropriation
- Authorizations include
 - Water Resource Development Act
 - National Defense Authorization Act
- Appropriations
 - 12 annual bills

Legislative Timeline



Dec 8th Continuing Resolution Expires



- Less than 20 legislative days left in 2017
- Budget resolution has passed
- Tax bill underway
- None of the 12 annual appropriations bills have passed
 - Continuing resolution expires on December 8th
- Sequestration in January 2018 absent a budget deal

Appropriations

	Administration's Request (Base) (\$ Billions)	House (\$ Billions)	Senate (\$ Billions)
Defense	* 565.8	* 584.2	No action
Energy & Water	** 5.0	** 6.16	6.2
MILCON VA	*** 9.6 billion	*** 10.2	9.5

* Base budget, in addition House included \$73.9 billion in Overseas Contingency Operations (OCO)

Budget Control Act Cap for base is \$549.0 billion

** Corps of Engineers only

** MILCON only, total bill is \$88.8 in discretionary spending
Bill includes \$638 million in OCO

Appropriations

- Until agreement is reached on subcommittee top lines, no action to finalize appropriation bills
- December 8th deadline in jeopardy, expect one or more additional continuing resolutions
- Top line agreement likely as part of an agreement to forestall sequestration – another Ryan Murray deal
- Senate Appropriations slowed because of health of the Chairman, Sen Cochran (R, MS)

Appropriations

- Emergency Appropriations -- \$36.5 Billion
 - \$18.7 billion – FEMA disaster relief fund
 - \$16 billion – Replenish national flood insurance program
- Expect at least one more Emergency Appropriation for disaster response

National Defense Authorization Act

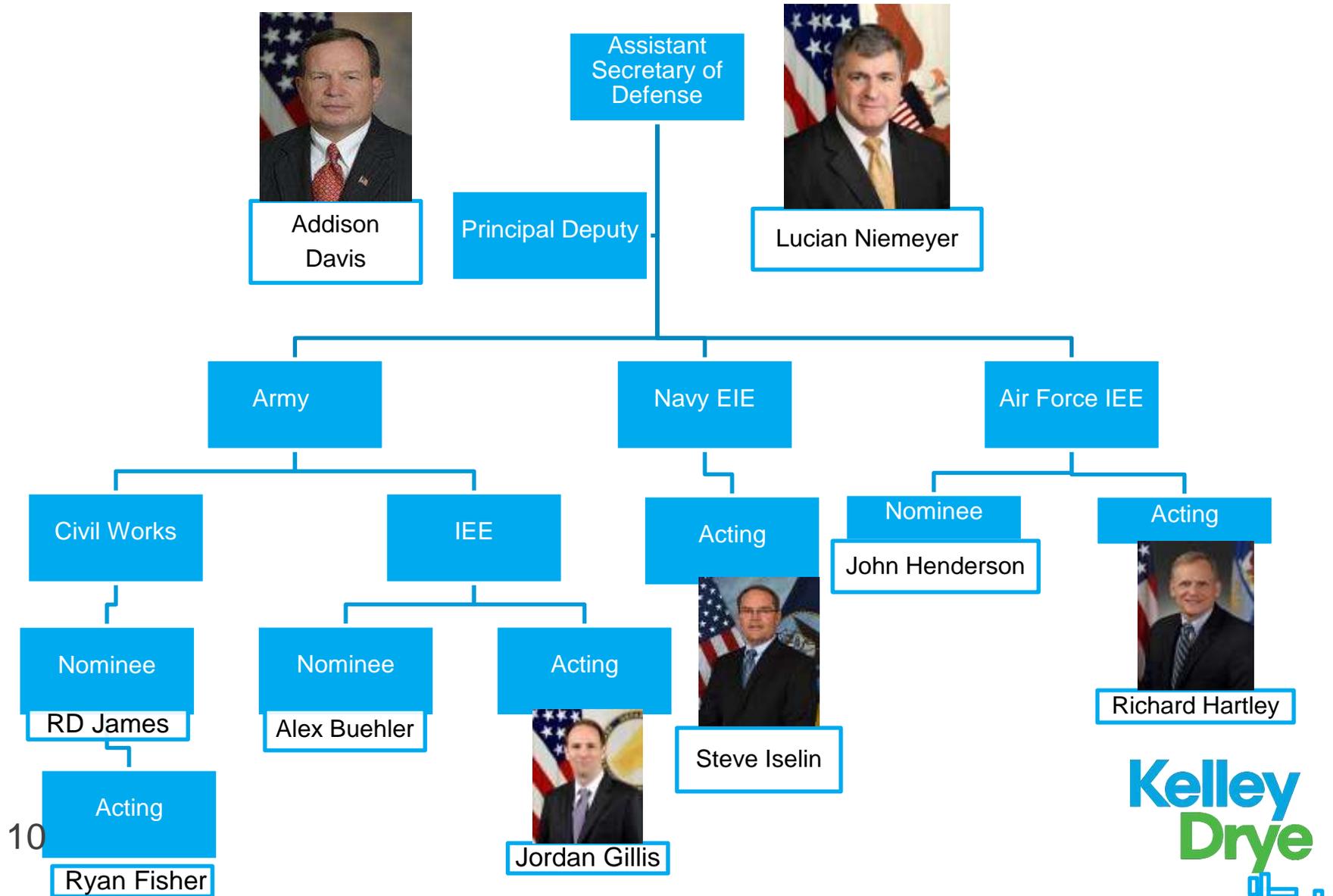
Sets policy

- Authorizes new starts including MILCON
- Establishes the size of the military
- Changes defense energy policy
- Committees have a full suite of tools to influence Pentagon behavior
- Establishes laws for defense government contracting
- Bill currently in conference

Administration

- Staffing in the Administration has been slow
 - Army has one confirmed political appointee
 - Only one of four critical infrastructure jobs have a confirmed appointee
 - Senate proposes reducing one assistant secretary for each of the three services – targeted at installations positions
- Procedural delays in the Senate have further slowed confirmations
- With so few appointees in place, priorities not yet clear

Installation Leadership



Installation Leadership

DOD



Lucian Niemeyer
Ass't Sec



Addison Davis
Principal Deputy
Ass't Sec

Army



Alex Buehler
Nominated



Jordan Gillis
Acting

Navy



Steve Islin
Acting

Air Force

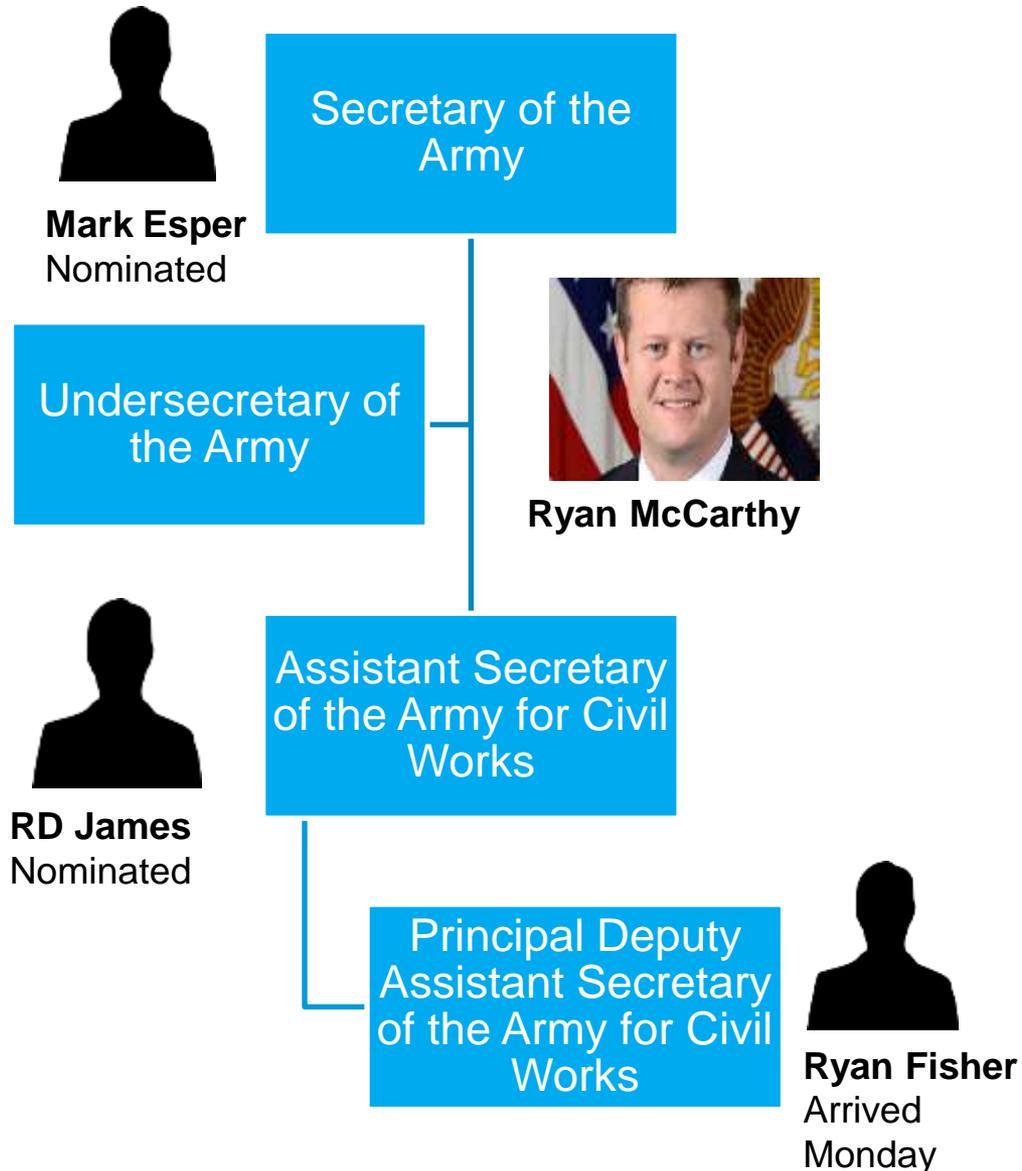


John Henderson
Nominated



Richard Hartley
Acting

Civil Works Leadership



ANALYSIS OF FY 2018

ROADMAP FOR THE FUTURE

Base Realignment and Closure (BRAC)

- Department has a significant amount of excess space
 - Estimates around 22% measured in square feet
 - Most excess with the Army and Air Force
 - Unit of measure suspect – critical asset is training lands and ranges not square feet
- Last BRAC reduces excess square footage by 3.4% at a cost of \$35 billion

Base Realignment and Closure (BRAC)

- House does not support BRAC
- Senators McCain (R, AZ) and Reed (D, RI) attempted to authorize a BRAC but failed on the Senate floor
- Proposed Senate BRAC law much different than earlier rounds
 - No commissions
 - Congress must vote to accept the list
- If Sen McCain steps down, BRAC highly unlikely because Sen Inhofe (R-OK) adamantly opposes BRAC

Accountability

- Three of the four Congressional MILCON Committees expressed concern about USACE and NAVFAC performance on construction projects
- From Senate MILCON Appropriations

“The Committee is deeply concerned about the past performance of the Army Corps of Engineers [the Corps] in its management of major Defense Health Agency [DHA] construction projects.”

Accountability

Senate Armed Services Committee Report

Project management oversight reforms

The committee is concerned with the number of construction projects that are experiencing significant schedule delays and cost increases. ... With other significant projects planned, including a new facility for the National Geospatial Agency and a hospital replacement at Fort Leonard Wood, it is essential that the Secretary of Defense ensure the proper oversight and management of the U.S. Army Corps of Engineers and Navy Facilities Command and, **if these organizations are not able to consistently deliver projects on budget and on schedule, seek alternatives**. Therefore the committee recommends a number of provisions that would increase transparency on the **causes and individuals** responsible for significant cost increases and schedule delays and **would advance contracting with outside organizations if problems continue**.

Accountability

- SASC fenced additional funds for one over budget project until DOD produces a report that identified people and organizations responsible for the project's cost growth
- SASC proposes moving some MILCON construction management to the private sector
- **Reprogramming** -- All Committees scrutinizing reprogramming requests

Energy

Congress and the Administration have dramatically changed the DOD facilities energy program

- Little interest in renewable projects
- Focus is on installations resiliency
- Emphasis on energy security
 - ◆ Cybersecurity is a major point of emphasis
 - ◆ Policy is still under development
 - ◆ Several different offices and organizations involved
- No more energy projects that feed the grid, must feed the installations and if needed excess goes to the grid
- Focused on critical loads

Energy

- Pew Charitable Trust published a study showing diesel generators are an expensive method to achieve resiliency
- DOD has a similar study done by Lincoln Labs, but study is suspect
 - Reflects last Administration's priorities
 - Reviewed a limited number of methods to achieve resiliency
- Army has a new requirement for 14 days of energy for critical loads

Contracting

- Congress continues to limit Lowest Priced Technically Acceptable Contracting in favor of best value technical trade-off
- Small Business laws unlikely to change dramatically
- Bid protests continue to draw Congressional and Administration interest beyond the actual impact of the litigation.