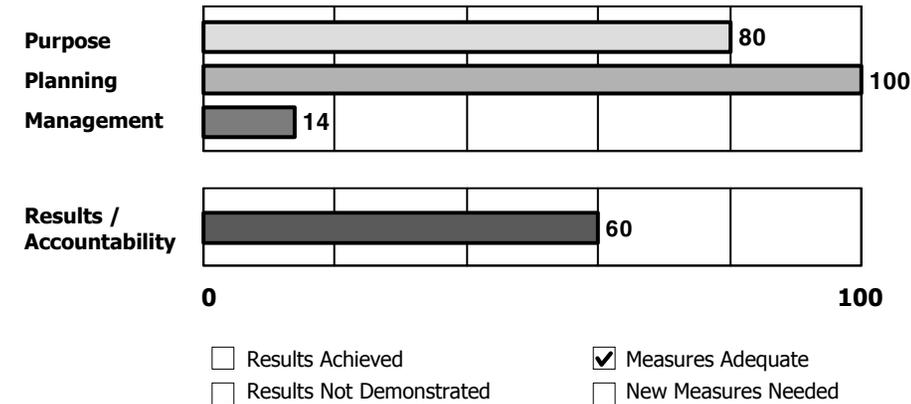


**Program:** *Facilities Sustainment, Restoration, Modernization, and Demolition*

**Agency:** *Department of Defense--Military*

**Bureau:** *Operation and Maintenance*



**Key Performance Measures**

**Year Target Actual**

Long-term Measure: Percentage of existing facilities rated C-2 or better These facilities have no significant or major deficiencies that affect DoD's ability to perform its missions.	2001	100%	31%
	2002	100%	32%
	2003	100%	
	2004	100%	
Long-term Measure: Rate, expressed in years, in which planned facilities are restored, modernized, or replaced, given planned investment spending (lower, but not below target, is better) (New measure)			
	2003	67 yrs	138 yrs
	2004	67 yrs	128 yrs
Annual Measure: Percentage of day-to-day maintenance funded (target level keeps facilities in good working order) (New measure)			
	2003	100%	93%
	2004	100%	94%

**Rating:** *Adequate*

**Program Type:** *Direct Federal*

**Program Summary:**

The Facilities Sustainment, Restoration, Modernization (SRM) program provides funds to keep the Department of Defense's (DoD's) inventory of facilities in good working order. In addition, the program provides resources to repair aging or damaged facilities and alter facilities to meet new needs. The Demolition program provides funds to get rid of structures no longer needed.

The assessment found that while DoD has not adequately maintained its facilities (68% have significant or major deficiencies that affect DoD's ability to perform its missions), it is making a significant effort to address this problem. Additional findings include:

1. DoD recently developed a long-term strategic plan and is improving business practices, such as using performance-assessment metrics and using life cycle cost analyses that emphasize capital rather than short-term budgeting.
2. The high planning section score is due to the new strategic plan as well as recent development of new performance management tools and improved guidance issued to the military services.
3. The management section score is low because the program is not optimally managed to ensure that program execution matches the plan. The military services can deviate from guidance since program execution is decentralized. Deviation from the plan can put achieving program goals, such as funding day-to-day maintenance requirements fully and restoring or modernizing facilities every 67 years on average (based on private sector standards), at risk. Higher priority defense requirements have caused managers to use funds intended for maintenance of facilities for other programs. Over time this movement of funds has contributed to an accumulation of inadequate facilities.
4. A key performance measure, readiness of existing facilities to meet mission requirements, uses subjective assessments and can yield inconsistent results.

To address these findings, the agency will:

1. Improve program management. Performance should improve once managers begin managing more strictly to the new performance management tools. Accountability systems have been put in place to help.
2. Pursue a facilities readiness or condition reporting system that yields more objective, consistent results.
3. Continue to work to eliminate excess facilities.

**Program Funding Level (in millions of dollars)**

<u>2002 Actual</u>	<u>2003 Estimate</u>	<u>2004 Estimate</u>
6,307	7,068	7,300

**OMB Program Assessment Rating Tool (PART)**

**Direct Federal Programs**

**Name of Program: Department of Defense Facilities Sustainment, Restoration and Modernization, and Demolition (\$7.1 billion program)**

**Section I: Program Purpose & Design (Yes, No, N/A)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Is the program purpose clear?</i>	Yes	Clear vision ... "Installations and facilities are available when and where needed with capabilities necessary to effectively and efficiently support DoD missions," and succinct mission statement ... "Provide, operate, and sustain, in a cost-effective manner, the facilities necessary to support military forces in both peace and war."	Published in Defense Installations Posture Statement for FY2001, which focuses on the Department's Defense Facilities Strategic Plan.	20%	0.2
2 <i>Does the program address a specific interest, problem or need?</i>	Yes	America's security depends upon defense installations that are available when and where needed, and with the right capabilities to support current and future requirements. DoD installations and facilities must meet the power-projection and operational needs of war-fighting commanders-in-chief. Due to constrained funding over the past 15 or so years, the Department has under-invested in facilities, leading to significant deterioration. Congress has raised concern over the magnitude of deterioration and the resultant apparent inability of facilities to adequately support mission requirements. Congress has created reporting requirements to grasp the problem and help resolve it. Defense has endeavored to improve its facilities.	<ol style="list-style-type: none"> <li>68% of facilities are rated C-3 (significant deficiencies preventing some mission performance) or C-4 (major deficiencies precluding satisfactory mission accomplishment), as reported in DoD's Readiness Report to Congress in 2002.</li> <li>Requirement to report to Congress identifying list of requirements to reduce backlog (Section 374 of H.R. 5408, the Floyd D. Spence National Defense Authorization Act for FY2001 (House Report 106-945), enacted into law by Public Law 106-398.</li> <li>Congressional requirement to submit annual report of installations' readiness (Section 117 of Title 10 U.S.C.).</li> </ol>	20%	0.2

3 *Is the program designed to have a significant impact in addressing the interest, problem or need?*

Yes

Program is designed to address and solve the problem in three distinct steps. Step 1: Sustain facilities to benchmarks to halt deterioration. Step 2: Modernize facilities based on expected service lives to halt creeping obsolescence. Step 3: Restore readiness where affordable and necessary with targeted recapitalization investments. (Based on the expected service life of facilities, the required recapitalization rate in DoD has been estimated to be 67 years, on average, for all of DoD. The 67-year benchmark assumes full sustainment throughout the service life. In the absence of full sustainment, the 67-year service life forecast is reduced. Sustainment undone in the past has already reduced the expected service life for many facilities, which created the C-3/4 restoration requirement).

Steps documented in two recent reports: (1) Report to Congress, Identification of the Requirements to Reduce the Backlog of Maintenance and Repair of Defense Facilities, April 2001, and in (2) Facilities Recapitalization Front End Assessment, August 2002. Also summarized in Defense Planning Guidance.

20%

0.2

4	<i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	Yes	S/RM programs are specifically designed to fully account for all contributions to the problem, including sources outside DoD.	Outputs from S/RM models and metrics are adjusted to account for contributions from other federal and state agencies, from non-appropriated funding sources including private donations, and from host nations (such as Japan) and other international sources (such as NATO).	20%	0.2
5	<i>Is the program optimally designed to address the interest, problem or need?</i>	No	Overall the program is well-designed, but there are elements which are not optimal. Operation and Maintenance (O&M) funds are fungible to a certain extent, leaving discretion at many management levels to move funding out of the program, thereby putting goal achievement at risk. Funds migrating into the account may be used for restoration and modernization before fully funding sustainment, which is not in line with goals/priorities. DoD may need to install a mechanism that enforces discipline among partners (Services), but this could remove flexibility within the O&M account, which could limit the Services' ability to respond to emerging, high priority requirements during the year of execution. While the first two steps of the program (sustainment and modernization) are optimized, the third step (restoration) is based on subjective interpretations of facility conditions.	Historical budget versus execution data demonstrates migration into and out of the O&M-funded S/RM programs, depending on Service. Since this is a new program, migration into restoration or modernization versus sustainment cannot be assessed, although the budget program elements that will allow this analysis in the future have been put in place. The subjectivity inherent in condition and readiness reporting as evidenced in the Installations Readiness Report have yet to be addressed. DoD is working to improve this.	20%	0.0

<b>Total Section Score</b>	<b>100%</b>	<b>80%</b>
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**Section II: Strategic Planning (Yes, No, N/A)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?	Yes	There are four long-term, inter-related goals: 1. Right size and right place. 2. Right quality. 3. Right resources. 4. Right tools and metrics.	Published in the Defense Facilities Strategic Plan.	14%	0.1
2 Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?	Yes	There are specific objectives and target dates for performance metrics, aligned under the four long-term performance goals. S/RM objectives primarily support the "Right Quality" long-term goal, with collateral impacts in "Right Tools and Metrics" and "Right Resources." (Note: the Facilities Demolition Initiative, re-structured as a separate program by the S/RM initiative, supports the "Right Size and Place" goal and is an element of DoD's plan under the GPRA).	Published Defense Planning Guidance includes the following specific target dates: <u>FY2002</u> : Complete development of Facilities Recapitalization Metric. <u>FY2004</u> : Achieve full sustainment levels using the standard benchmarks contained in the Facilities Sustainment Model. <u>FY2007</u> : Achieve a service-life based recapitalization rate using the standard Facilities Recapitalization Metric. <u>FY2010</u> : Restore readiness to at least C-2 status, on average, with targeted investments in the near years.	14%	0.1
3 Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?	Yes	Components (Service and Defense Agencies) including the reserve components are partners and have been engaged throughout development of the Defense Facilities Strategic Plan, the various S/RM initiatives, and the performance measuring mechanisms.	The Defense Facilities Strategic Plan, the Defense Planning Guidance, the Facilities Sustainment Model, the Facilities Recapitalization Metric, and the performance data collection processes and procedures have each been fully coordinated throughout DoD.	14%	0.1

4	<i>Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?</i>	Yes	The program accounts for other related programs (See section I, number 4) and DoD shares S/RM-related information regularly with other government agencies and the private sector.	Program manager has records of correspondence with NASA, DoE, Pacific National Lab, Smithsonian, GAO, and the Federal Facilities Council, for example, and distribution records for thousands of copies of the DoD Facilities Cost Factor Handbook are available.	14%	0.1
5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	Yes	The program is evaluated yearly in DoD's official "program review" and various elements of the program have been subject to Independent Verification and Validation. The FY02 review produced a revised allocation of resources, and the FY03 review produced new improvements in the Facilities Recapitalization Metric for use in FY04. Many of the cost factors used in the FSM have been independently verified by Whitestone Research.	Report titled "Facilities Recapitalization Front End Assessment" documents recent work. Unisys Corporation maintains records of its Independent Verification and Validation of the Facilities Sustainment Model and is currently conducting an independent assessment of Service and Agency business rules for computing Plant Replacement Value.	14%	0.1
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	The budget structure contained in the Future Years Defense Program (FYDP) has been altered throughout the Military Services and Defense Agencies for the express purpose of measuring resources relative to S/RM goals, and to track execution performance. Specific program elements have been created to track sustainment, restoration and modernization, and demolition resources separately. Additionally, the Defense Programming Data Warehouse has been modified to support the S/RM program. Budget exhibits and the CFOA formats have also been adjusted.	Changes to the FYDP program element structure are documented in the archives of the Force Structure Management System, maintained by OSD PA&E, along with changes to the Defense Programming Database and feeder systems. Changes in the budget exhibits and CFOA formats are maintained in the archives of the Comptroller, and in the Financial Management Regulations (FMR).	14%	0.1
7	<i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	The various elements of the S/RM program as well as the overall facilities strategic plan are regularly reviewed by the Services and Agencies in conjunction with OSD. An Installations Policy Board meets monthly to deal with strategic planning issues (among other issues) and a Defense Facilities Strategic Plan Working Group is a standing committee under the Installations Policy Board.	Records of coordination for Defense Planning Guidance (maintained by USD(Policy)). Minutes of the Installations Policy Board (maintained by DUSD(I&E)). Briefings and materials maintained by the Defense Facilities Strategic Plan Working Group.	14%	0.1

<b>Total Section Score</b>					<b>100%</b>	<b>100%</b>
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**Section III: Program Management (Yes,No, N/A)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?	Yes	DoD has an established planning, programming, and budgeting system (PPBS) that regularly collects updates to planning and, in the case of operations and maintenance funds, execution data. DoD also regularly collects information on facility assets. These data are used to make resource allocation decisions and to adjust the S/RM programs.	Funding: Financial management regulations and related PPBS documentation, including Program Decision Memoranda and Program Budget Decisions, e.g. PBD 809. Facilities: Annual real property inventories, annual Installations Readiness Reports, and inventory forecasts collected for operation of the Facilities Sustainment Model and Facilities Recapitalization Metric.	14%	0.1
2 Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?	No	Services and Agencies that do not properly sustain, restore, or modernize facilities are not held accountable. S/RM is funded with the same operations and training programs and base operations, and often the Services use S/RM funds to finance other, higher priority requirements in these areas. DoD often accepts this managed risk.	The restoration backlog has been unconstrained since 1987. Other priorities or short term requirements often displace appropriation (O&M) that funds the Department's long term S/RM program requirements.	14%	0.0
3 Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?	No	Majority of funds are executed, however there is significant movement of funds between this program and other readiness programs, such as Operating Tempo (OPTEMPO) and Base Operations Support (BOS). Services and Agencies vary, but this movement of funds occurs both into and out of the S/RM programs in year-end results. There is also a timing problem during the year, when early in the execution year funds are held back for emergencies or high priority projects instead of systematically executed as budgeted.	Budget versus execution data (Budget exhibits and Defense Finance and Accounting reports (DFAS 1002)).	14%	0.0
4 Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?	No	The Services and Agencies have these incentives and procedures in place, however there are no execution-year procedures in place that apply DoD-wide. There are a number of DoD-wide performance targets and IT improvements related to S/RM for planning, but not execution, as execution in DoD is generally de-centralized for S/RM programs.	Budget exhibits, annual reports.	14%	0.0

5	No	DoD does estimate the full annual costs for facilities sustainment as well as restoration and modernization programs. However, DoD has not budgeted for the full cost.	<ol style="list-style-type: none"> <li>1. Outputs from the Facilities Sustainment Model and Facilities Recapitalization Metric.</li> <li>2. Formats provided at the DoD Programming Data Warehouse.</li> <li>3. Budget exhibits for S/RM and demolition programs.</li> </ol>	14%	0.0
6	No	There are numerous documented deficiencies in DoD financial management systems. However, within that overall context, this program has established many accounting improvements, to include significant re-structuring of budget categories (discussed above in item II.6). The program has also re-designed the reporting to comply with the CFOA.	DoD FYDP program management structure. Financial Management Regulations, Vol. 6, Chap 12. DoD CFOA report, Required Supplemental Stewardship Information, RS-12.	14%	0.0
7	No	There are a number of DoD-wide management improvements related to S/RM for planning, but not execution, as execution in DoD is generally de-centralized for S/RM programs. The Services and Agencies have taken some meaningful steps in program management. For example, the Army has embarked on its Transformation Installation Management, which is designed to take the burden of running installations off commanders, allowing them to focus on warfiging. Centralization is intended to help the Army find economies of scale and establish standards across installations.	Service/Agency budget exhibits, annual reports.	14%	0.0

<b>Total Section Score</b>	<b>100%</b>	<b>14%</b>
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**Section IV: Program Results (Yes, Large Extent, Small Extent, No)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	Large Extent	<p>1. <u>Right Size and Place</u>. Significant progress resulted from successful Facilities Demolition program that demolished more than 80 million square feet during FY98-03.</p> <p>2. <u>Right Quality</u>. Limited progress to date (sustainment rates are up) has been offset by continuing S/RM budget shortfalls and migration.</p> <p>3. <u>Right Resources</u>. Large improvement in the recapitalization rate in FY02 (but lost ground in FY03). Sustainment rates moving incrementally forward toward goal.</p> <p>4. <u>Right Tools and Metrics</u>. Significant and sustained progress made over the past five years.</p>	<p>1. Demolition program results contained in DoD GPRA reports.</p> <p>2. Facilities Sustainment Model and Facilities Recapitalization Metric.</p> <p>3. Budget data compared to requirement models.</p> <p>4. Documented in Defense Facilities Strategic Plan, DoD Facilities Cost Factor Handbook, Report to Congress on Requirements to Reduce the Backlog of Maintenance and Repair, and the Facilities Recapitalization Front End Assessment.</p>	20%	0.1
2 <i>Does the program (including program partners) achieve its annual performance goals?</i>	Small Extent	<p><u>FY2002</u>: Completed development of Facilities Recapitalization Metric.</p> <p><u>FY2004</u>: Have not achieved full sustainment levels using the standard benchmarks contained in the Facilities Sustainment Model.</p> <p><u>FY2007</u>: Have achieved (as of FY03 President's Budget) a service-life based recapitalization rate using the standard Facilities Recapitalization Metric.</p> <p><u>FY2010</u>: Unable to determine if readiness can be restored to at least C-2 status, on average.</p>	<p><u>FY2002</u>: Facilities Recapitalization Front End Assessment.</p> <p><u>FY2004</u>: Sustainment at 94% as of FY03 President's Budget.</p> <p><u>FY2007</u>: Recapitalization rate at 65 years, on average, in FY03 President's Budget.</p> <p><u>FY2010</u>: Unable to achieve this in the absence of full sustainment.</p>	20%	0.1

3	No	DoD lacks enterprise-wide measures for this, as S/RM is decentralized in execution to the Services and Agencies. But DoD is making strides to improve its practices to achieve program goals. As of the FY03 President's Budget, DoD has raised the level of facilities sustainment from 84% to 93% within one year. While some increase in funding was required, the amount of increase was greatly reduced by the removal of over 60 million square feet during the period FY98-01. In addition, the higher sustainment levels will slow (though not stop) deterioration and the attendant reduction in expected facility service life, avoiding premature restoration costs in the future. To improve practices, the Army has undertaken a major effort to restructure the way it channels funding to installations (as part of Transformation Installation Management) which should help establish consistent standards, achieve efficiencies, and help it benefit from economies of scale.	Testimonies to Congress on the FY03 President's Budget. Demolition reports filed under GPRA. Budget exhibits and annual reports.	20%	0.0
4	Yes	The "S/RM" paradigm has been presented in several cross-agency settings (and also in settings that include representatives from the private sector), and DoD's approach has received favorable comment relative to other approaches in use in the government.	"Deferred Maintenance Reporting for Federal Facilities: Meeting the Requirements of Federal Accounting Standards Advisory Board Standard Number 6, As Amended," Federal Facilities Council Technical Report #141, National Academy Press, 2001.	20%	0.2
5	Yes	Initial evaluations from outside sources, including one from GAO, indicate that the S/RM construct, plans, goals, and performance metrics are effective, although the programs are too new to have a history of executed results.	Ongoing GAO evaluations.	20%	0.2
<b>Total Section Score</b>				<b>100%</b>	<b>60%</b>