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To: Peter Potochney, Michael McAndrew, Joseph Sikes cc: Robert H. Goldberg  
Subject: Privatization of DoD Unaccompanied Housing

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The Military Services are proposing to invest substantial funds, \$3.3 billion over the Future Years Defense Program (FYDP), in the construction of new barracks/dormitories. In the course of the FY 2000 Budget hearings and follow-up questions, it has become clear that the Military Services do not believe that privatization of barracks/dormitories is possible without prohibitive scoring. This is partly the result of a perception that OMB would score the Service requirement that junior enlisted personnel live on base as an occupancy guarantee.

I have consulted with OMB's scoring team in our Budget Review Division, and it is our view that privatization of unaccompanied housing, like military family housing, can be structured to avoid prohibitive scoring implications.

A requirement to live on base would have no scoring impact, as long as it is just Service or installation policy and is not written into the contract with the developer. Service policy does not constitute a legal, contractual right for the developer.

The Assignment of Service Members to Housing paragraph in OMB's June 25, 1997 "Scoring of DoD's Military Housing Privatization Initiatives" guidelines was intended to address situations where the contract with the developer included a provision whereby the Government assigned service members to privatized housing. If the contract does not include such a provision, this paragraph would not apply.