



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JAN 19 2017

COMPTROLLER

The Honorable Charles W. Dent
Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The purpose of this letter is to notify the committee of the proposed reprogramming of funds for the project and amount shown below. Detailed justification for the project is enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
	<u>Army</u>			
1	Mihail Kogalniceanu Forward Operating Site, Romania	ERI: Multimodal Improvements	2015	2,150,000
2	Mihail Kogalniceanu Forward Operating Site, Romania	ERI: Hazardous Cargo Ramp	2015	2,400,000
	<u>Air Force</u>			
3	Tinker Air Force Base, Oklahoma	KC-46A Two-Bay Depot Maintenance Hangar	2015	46,308,000
4	Joint Base Region Marianas, Guam	PAR – Fuel Systems Hardened Buildings	2014	5,422,000
5	Worldwide Unspecified	ERI: Planning and Design	2015	1,200,000

A similar letter is being sent to the Chairman of the Senate Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Thank you for your continued support of Defense programs.

Sincerely,

Michael McCord

Enclosures:

As stated

cc:

The Honorable Sanford D. Bishop, Jr.
Ranking Member



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COMPTROLLER

Chairman
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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A similar letter is being sent to the Chairman of the House Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Thank you for your continued support of Defense programs.

Sincerely,

Michael McCord

Enclosures:

As stated

cc:

The Honorable Brian Schatz
Ranking Member

Bid Expiration Date: August 15, 2017
Military Construction, Army
Reprogramming Request

Installation: Mihail Kogalniceanu Forward Operating Site, Romania

Project: ERI: Multimodal Improvements

Authorization: Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015, P.L. 113-291

Estimated Cost (\$000):

Previously Appropriated	17,000
Previously Reprogrammed	-
Requested Reprogramming	2,150
Total Estimated Cost	19,150

Description: This project constructs multimodal facilities and supporting infrastructure. Primary facilities include a new rail load/off-load spur with wash facilities and an airfield terminal with ready building, shipping and receiving facility, storage yard, and marshalling areas. Supporting facilities include site development, utilities, perimeter security devices, lighting, paving, walks, curbs, and gutters, storm drainage, landscaping, fencing, and signage.

Justification: The FY 2015 Consolidated and Further Continuing Appropriations Act (P.L. 113-235) provided \$37.0 million of 3-year Overseas Contingency Operations (OCO) funding for three Army projects to support the European Reassurance Initiative (ERI). The project designs are currently 15% complete and the current working estimate is based on the Government estimated construction cost. The estimated costs are higher than initially programmed based on more refined project requirements and additional design fidelity. As the Army's experience with construction in Romania continues to evolve, current construction costs are being incorporated in the Current Working Estimate to ensure the award of these projects remain on schedule for FY 2017.

Source of Funds: Bid savings from the following projects will fund this requirement.

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Mihail Kogalniceanu FOS, RO ERI: Fuel Storage Cap	2015	15,000	13,100	1,900
Fort Wainwright, AK Modified Record Fire Range PN 61681	2013	10,386 ^{/1}	6,066 ^{/2}	<u>250</u>
Total:				2,150

PN = Project Number

^{/1} The revised amount reflects the across-the-board rescission as directed by Division G, Sections 3001/3004, Public Law 113-6.

^{/2} A 10 U.S.C. §2853 cost reduction notification dated May 23, 2013 was sent to the congressional committees reflecting a current working estimate (CWE) of \$6.04 million. The current estimate includes additional contract modifications.

Bid Expiration Date: August 15, 2017
Military Construction, Army
Reprogramming Request

Installation: Mihail Kogalniceanu Forward Operating Site, Romania

Project: ERI: Hazardous Cargo Ramp

Authorization: Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015, P.L. 113-291

Estimated Cost (\$000):

Previously Appropriated	5,000
Previously Reprogrammed	-
Requested Reprogramming	2,400
Total Estimated Cost	7,400

Description: This project constructs a hazardous cargo apron and repairs adjacent connector taxiways in support of the European Reassurance Initiative (ERI). Supporting facilities include site development, utilities and connections, lighting, fuel truck access road, gutters, and storm drainage.

Justification: The FY 2015 Consolidated and Further Continuing Appropriations Act (P.L. 113-235) provided \$37.0 million of 3-year Overseas Contingency Operations (OCO) funding for three Army projects to support the ERI. The project designs are currently 15% complete and the current working estimate is based on the Government estimated construction cost. The estimated costs are higher than initially programmed based on more refined project requirements and additional design fidelity. As the Army's experience with construction in Romania continues to evolve, current construction costs are being incorporated in the Current Working Estimates to ensure the award of these projects remains on schedule for FY 2017.

A 10 U.S.C. cost notification dated February 4, 2016, was submitted to the congressional committees.

Source of Funds: Bid savings from the following project will fund this requirement.

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Fort Wainwright, AK Modified Record Fire Range PN 61681	2013	10,366 ^{/1}	6,066 ^{/2}	2,400

PN = Project Number.

^{/1} The revised amount reflects the across-the-board rescission as directed by Division G, Sections 3001/3004, Public Law 113-6.

^{/2} A 10 U.S.C. §2853 cost reduction notification dated May 23, 2013 was sent to the congressional committees reflecting a current working estimate (CWE) of \$6.04 million. The current estimate includes additional contract modifications.

Bid Expiration Date: April 4, 2017
Military Construction, Air Force
Reprogramming Request

Installation: Tinker Air Force Base, Oklahoma
Project: KC-46A Two-Bay Depot Maintenance Hangar
Authorization: Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015, Public Law 113-291

Estimated Cost (\$000):

Previously Appropriated	63,000
Previously Reprogrammed	-
Requested Reprogramming	46,308
Total Estimated Cost	109,308

Description: This project constructs a multi-purpose hangar comprised of two aircraft bays with adjoining single story supporting shops and designated spaces for storage, utilities and administration. The hangar is designed to function primarily as a corrosion control facility with additional capability to provide fuel cell and programmed depot maintenance.

Justification: Tinker Air Force Base (AFB) has been designated to support depot maintenance for the KC-46A aircraft. Neither the infrastructure nor the maintenance docks currently exist to support new KC-46A depot maintenance workload. Two solicitations have been issued for the construction of this facility and bids received were substantially above the \$63.0 million authorized.

Initially, this project was bundled with the KC-46A Depot Maintenance Complex Support Infrastructure project, a related infrastructure project authorized in FY 2015. The bundling strategy attempted to increase competition among large construction firms while realizing single contractor efficiencies. Only three construction firms submitted proposals on the first solicitation. The bids exceed the amount authorized amount by approximately \$55.0 million.

The project delivery team revised in-scope designs and issued a separate solicitation for the each military construction project. The second solicitation for this project generated six offers; all bids were well above the authorized amount of \$63.0 million. The final negotiated "best and final offers" are represented by the \$46.3 million reprogramming request.

Bids are substantially above the authorized amount due to:

- 1) Regional Market Conditions: DoD is competing with robust private sector construction. More attractive private sector opportunities resulted in insufficient subcontractor participation, and an intense competition for select trades and limited available local labor.
- 2) Inadequate government cost estimate: Material and equipment inflation factors did not reflect actual market conditions and contractor productivity rates did not consider the complexity of the mechanical, electrical and fire systems.

The current bid, which is \$46.3 million above the programmed amount, expires on April 4, 2017, and is considered reasonable for the scope of work. An April 2017 construction contract award will ensure that KC-46A Two-Bay Depot Maintenance Hangar is available no later than October 2020, when the first aircraft is projected to require corrosion control maintenance capability.

A Title 10 U.S.C. §2853 authorized cost and scope of work variation notification reflecting the Current Working Estimate was sent to the congressional committees on January 5, 2017.

Source of Funds: Bid savings from the following projects will fund this requirement.
(Dollars in Thousands)

<u>Location & Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Luke AFB, AZ F-35 Flight Line Fill Stands NUEX103005	2015	15,600	14,657	942
Nellis AFB, NV F-22 Flight Simulator Facility RKMF133001	2015	14,000	12,609	1,256
Nellis AFB, NV F-35 Aircraft Mx Unit, 4 Bay Hangar RKMF143001	2015	31,000	25,189	4,530
Tinker AFB, OK KC-46A Depot Maintenance Complex Support Infrastructure WWYK143004	2015	48,000	42,012	5,987
Andersen AB, Guam Guam Strike Fuel Systems Maintenance Hangar AJJY123010B	2015	64,000	40,960	18,857 ¹¹
Eielson AFB, AK F-35A Flight Sim./ ADAL Sqd Ops/AMU FTQW163011	2016	37,000	22,194	14,736 ¹²
	Total:			46,308

¹¹ A 10 U.S.C. §2853 scope and cost reduction notification dated January 28, 2015, was sent to the congressional committees reflecting the Current Working Estimate.

¹² A 10 U.S.C. §2853 scope and cost reduction notification dated October 20, 2016, was sent to the congressional committees reflecting the Current Working Estimate.

Bid Expiration Date: N/A
Military Construction, Air Force
Reprogramming Request

Installation: Joint Base Region Marianas, Guam
Project: Pacific Airfield Resilience (PAR) – Fuel Systems Hardened Buildings
Authorization: National Defense Authorization Act for Fiscal Year 2014, P.L. 113-66

Estimated Cost (\$000):

Previously Appropriated	20,000
Previously Reprogrammed	-
Requested Reprogramming	5,422
Total Estimated Cost	25,422

Description: This project will construct hardened structures around existing and new fuel system facilities, expand the hydrant loop system, and provide additional system redundancy. The construction site must be cleared of potential unexploded ordnance following specific Munitions of Explosive Concern (MEC) provisions.

Justification: Hardened structures and expanded system infrastructure are required to provide a resilient fuel system able to sustain operations at Joint Region Marianas - Andersen Air Force Base despite tropical cyclones that regularly impact the island and pose a risk to the system.

Initially, the construction contract for this project was awarded without MEC clearance and excavation work; this work was to be conducted via a separate indefinite delivery/indefinite quantity (IDIQ) contract specifically for that purpose. The MEC IDIQ work was terminated when it was determined that the scope of this IDIQ contract would not meet the requirement to clear to full construction depth, leaving the construction contract in suspension.

In addition, labor costs have increased due to recent changes to the temporary work (H2B) Visa renewal process, which have created a labor shortfall because many foreign workers have been required to return to their home countries.

This \$5.4 million reprogramming action will fund the modification the construction contract to include this MEC scope of work, the additional overhead costs associated with contract suspension, and increased labor costs resulting from the labor shortage.

A Title 10 U.S.C. §2853 authorized cost and scope of work variation notification reflecting the Current Working Estimate was sent to the congressional committees on December 22, 2016.

Source of Funds: Bid savings from the following project will fund this requirement.
(Dollars in Thousands)

<u>Location & Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Joint Region Marianas, Guam PAR-Tanker General Purpose Maintenance Hangar/AMU/Squadron Operations AJJY133027	2014	132,600	115,116	5,422

⁴A 10 U.S.C. §2853 scope and cost reduction notification dated November 17, 2014, was sent to the congressional committees reflecting the Current Working Estimate.

Bid Expiration Date: May 1, 2017
Military Construction, Air Force
Reprogramming Request

Installation: Worldwide Unspecified

Project: European Reassurance Initiative: Planning & Design

Authorization: Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015, Public Law 113-291

Estimated Cost (\$000):

Previously Appropriated	11,500
Previously Reprogrammed	-
Requested Reprogramming	1,200
Total Estimated Cost	12,700

Description: The Military Construction and Veterans Affairs, and Related Agencies Appropriations Act, 2015, Title IV Overseas Contingency Operations (OCO) provided \$175 million for Military Construction in support of the European Reassurance Initiative (ERI). On February 4, 2016, the Department satisfied Section 2805 of Public Law 113-291 by providing construction project data sheets (DD Form 1391) for each ERI project and Planning and Design (P&D). The P&D funds were intended for the design of ERI facilities in the FY 2015 OCO Military Construction Program and for value engineering, design and construction management of projects funded by foreign governments and for the design of classified and special programs.

Justification: This \$1.2 million increase in P&D funding is required to fund the remaining design requirements for the ERI military construction projects funded in the Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2017.

The additional \$1.2 million is required by May 1, 2017 in order to award the projects in the year of enactment (FY 2017). Absent this reprogramming request, FY 2017 project designs will be placed on hold pending the receipt of additional planning and design funds with the FY 2018 military construction appropriations act. This disruption would delay FY 2017 ERI construction project awards at least 2 years.

A Title 10 U.S.C. §2807 Architect-Engineer Design Services for Military Construction notification was submitted to the congressional committees on December 2, 2016.

Source of Funds: Bid savings from the following ERI Military Construction project will fund this requirement.

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Siauliai AB, Lithuania PAYZ15001B	2015	13,120	9,716 ¹	1,200

¹A 10 U.S.C. §2853 scope and cost reduction notification dated October 19, 2016 was sent to the congressional committees reflecting the Current Working Estimate.