



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

JUL 10 2017

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 projects and amounts shown below. Detailed justification for the projects is enclosed.

<u>#</u>	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
<u>Army</u>				
1	Kyogamisaki, Japan	Company Operations Complex	2014	20,200,000
<u>Navy</u>				
2	Naval Base Kitsap, Bangor, Washington	Regional Ship Maintenance Support Facility	2015	4,519,000
<u>Army Reserve</u>				
3	Fort McCoy, Wisconsin	Annual Training/Mobilization Dining Facility	2017	3,831,000
<u>Defense Logistics Agency</u>				
4	Travis Air Force Base, California	Replace Hydrant Fuel System	2017	3,790,000
5	Cannon Air Force Base, New Mexico	Construct Pump House & Fuel Storage	2016	3,110,000
6	Andersen Air Force Base, Guam	Upgrade Fuel Pipeline	2013	5,000,000
<u>Department of Defense Education Activity</u>				
7	Marine Corps Base, Quantico, Virginia	Quantico Middle/High School Replacement	2014	12,968,000

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,

A handwritten signature in black ink, appearing to read "David L. Norquist". The signature is fluid and cursive, with a prominent "D" and "N".

David L. Norquist

Enclosures:
As stated

cc:
The Honorable Debbie Wasserman Schultz
Ranking Member



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

JUL 10 2017

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

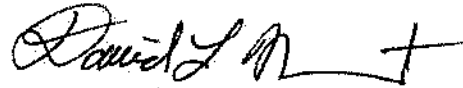
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7	Marine Corps Base, Quantico, Virginia	Quantico Middle/High School Replacement	2014	12,968,000

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Sincerely,

A handwritten signature in black ink, appearing to read "David L. Norquist", with a stylized flourish at the end.

David L. Norquist

Enclosures:

As stated

cc:

The Honorable Brian Schatz

Ranking Member

Bid Expiration Date: N/A

Military Construction, Army

Reprogramming Request

Installation: Kyogamisaki, Japan

Project: Company Operations Complex

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2014, Public Law 113- 66

Estimate Cost (\$000):

Previously Appropriated	33,000
Previously Reprogrammed	-
Requested Reprogramming	20,200
Total Estimated Cost	53,200

Description: The project consists of a life support area including unaccompanied personnel housing with dining and company operations facilities with covered hardstand, entry control point and administrative facilities for the Missile Defense Agency (MDA) radar site in Kyogamisaki, Japan.

Justification: An additional \$20.2 million is required for this project due to delays in the design process as well as issues with the Government of Japan (GOJ) requiring a design change. GOJ suspended negotiations for the land acquisition in response to public concerns. To resolve the complaints from the public, GOJ requested the final design incorporate dampening/isolation equipment and re-design/re-configure of the footprints and locations for a majority of the facilities causing the design to be delayed an additional five months. The Current Working Estimate including the additional scope request from the GOJ is consistent with current cost estimates for other military construction projects in Japan. Additionally, construction costs in Japan are at a 21-year high due to a demand-supply gap. Reconstruction after the 2011 earthquake and tsunami as well as the hosting of the 2020 Olympics games has sharply increased the construction demand resulting in a record shortage of skilled workers, which is causing an increase in labor costs. The expanding construction demand is also affecting the cost of building materials.

A 10 U.S.C. §2853 cost notification dated April 20, 2017, was submitted to the congressional committees.

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

<u>(Dollars in Thousands)</u>				
<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Joint Base Elmendorf-Richardson, AK Modified Record Fire Range	2013	7,889 ^{/1}	5,727 ^{/2}	560
Fort Benning, GA Ground Source Heat Transfer System	2013	15,979 ^{/1}	9,539 ^{/3}	6,440
Schofield Barracks, HI Barracks	2013	54,927 ^{/1}	45,480 ^{/4}	5,000
Wheeler Army Airfield, HI Combat Aviation Brigade Barracks	2013	84,888 ^{/1}	78,957 ^{/5}	5,000
Fort Leonard Wood, MO Battalion Complex Facilities	2013	25,966 ^{/1}	23,942	1,200
Fort Drum, NY Aircraft Maintenance Hangar	2013	94,875 ^{/1}	92,280	2,000
			Total:	20,200

¹ The appropriated amounts reflect the across-the-board rescissions as directed by the Consolidated and Further Continuing Appropriations Act, 2013, Sections 3001/3004.

² A10 U.S.C. §2853 cost reduction notification dated May 23, 2013, was sent to the congressional committees reflecting a Current Working Estimate (CWE) of \$5.420 million. The CWE includes additional contract modifications.

³ A10 U.S.C. §2853 cost reduction notification dated December 8, 2016, was sent to the congressional committees reflecting a CWE of \$10.518 million.

⁴ A10 U.S.C. §2853 cost reduction notification dated March 28, 2017, was sent to the congressional committees reflecting a CWE of \$45.317 million. The CWE includes additional contract modifications.

⁵ A10 U.S.C. §2853 cost reduction notification dated March 28, 2017, was sent to the congressional committees reflecting a CWE of \$79.069 million.

Bid Expiration Date: September 30, 2017

Military Construction, Navy

Reprogramming Request

Installation: Naval Base Kitsap, Bangor, Washington

Project: Regional Ship Maintenance Support Facility (P-401)

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	12,753
Previously Reprogrammed	-
Requested Reprogramming	4,519
Total Estimated Cost	17,272

Description: This project constructs a regional ship maintenance facility inside the Waterfront Restricted Area at Naval Base Kitsap Bangor, supporting fleet maintenance operations for all Pacific Fleet submarines. The facility will: 1) consolidate maintenance functions; 2) absorb workload of additional submarines; 3) mitigate the negative impact of increased nuclear weapons security on maintenance operations; 4) support additional future workload driven by the age of the fleet; 5) provide blast-hardened maintenance facilities for personnel working within the explosive safety arcs; and 6) enhance the ability to respond to emergency repairs.

Justification: The current funding requirement for additional funds is attributable to the following:

a) Construction market conditions (+\$4.079 million):

Bids received were significantly higher than the estimated cost previously programmed. Increases in local construction contracting opportunities have resulted in less than favorable market conditions and higher pricing than anticipated. The Navy has over 14 major construction projects underway in the Pacific Northwest with a total value of over \$786 million, placing competitive demands on labor, subcontractors, and material suppliers on an already limited Pacific Northwest market. Research of construction projects in the Seattle area shows 65 major buildings under construction valued at over \$3.5 billion. Prior Seattle highs were 50 major building projects in 2014 and 49 major building projects in 2015. Bids received reflect the current market and labor conditions and include higher than anticipated sub-contractor mark-ups and material costs. These current conditions contribute to additional costs not considered during the cost development of the project.

- b) Increase in Contingency and Supervision, Inspection & Overhead Costs (+\$0.440 million):
The contingency and SIOH amounts have increased due to higher construction costs.

Source of Funds: Savings from the following project is cited as a source of funds for this cost increase.

(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 BAMS Forward Operational & Maintenance Hangar	2014	61,702	56,502	4,519

Bid Expiration Date: September 30, 2017
Military Construction, Army Reserve Program
Reprogramming Request

Location: Fort McCoy, Wisconsin

Project: Annual Training/Mobilization Dining Facility

Authorization: National Defense Authorization Act for Fiscal Year 2017, Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	11,400
Previously Reprogrammed	-
Requested Reprogramming	3,831
Total Estimated Cost	15,231

Description: This project provides for construction of a standard design (1,428 person/21,300 square foot) Annual Training/ Mobilization Dining Facility.

Justification: The cost increase resulted from an unexpected high bidding climate and higher than expected project costs. Recent market conditions, lack of subcontractor workforce, impact of extreme winters on the construction season, and a marked increase in the number of local school construction projects are the contributing cost increase factors.

A 10 U.S.C. §2853 cost notification dated May 9, 2017, was submitted to the congressional committees.

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>
Joint Base McGuire-Dix-Lakehurst, NJ Automated Multipurpose Machine Gun Range	2014	9,500	7,563	1,937
Joint Base McGuire-Dix-Lakehurst, NJ Central Issue Facility	2014	7,900	6,259	1,641
Joint Base McGuire-Dix-Lakehurst, NJ Dining Facility	2014	13,400	13,183	217
Aberdeen Proving Ground, MD Army Reserve Center	2013	23,233 ^{/1}	20,964	36
			Total:	3,831

^{/1} The appropriated amount includes an Above Threshold Reprogramming of \$3.780 million approved by Congress on March 23, 2016. Further, it reflects the across-the-board rescission of \$0.28 million as directed by the Consolidated and Further Continuing Appropriations Act, 2013, Division G, Sections 3001/3004 and reductions of \$1.591 million as directed by the Budget Control Act of 2001 (Sequestration).

Bid Expiration Date: September 26, 2017

Military Construction, Defense-Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Travis AFB, CA
Project: Replace Hydrant Fuel System
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2017.
Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	26,500
Previously Reprogrammed	-
Requested Reprogramming	3,790
Total Estimated Cost	30,290

Description: This construction project will replace the aging and inadequate F-24 Type III Hydrant Fuel System at Area G on Travis Air Force Base, California with a new Type III Hydrant System that will service fueling operations on Area G and the Hot Cargo Area.

Justification: An additional \$3.79 million is required to award this project and provide complete and useable facilities that meet mission requirements. Additional funds are required due to:

- 1) Increased demand for labor and materials (\$3.42 million): Construction costs have spiked due to major commercial, industrial and utility projects in California and Nevada. Currently there are five large scale projects and programs under construction within the region: the Apple 2 Campus (\$5 billion) in Cupertino, CA; an Apple Command Center (\$2 billion) in Mesa, AZ; the ECHO Wastewater Treatment Projects (\$1.6 billion) in Sacramento, CA; the Tesla Gigafactory (\$5 billion) in Sparks, NV; and the Los Angeles Rams Stadium (\$2.6 billion) in Los Angeles, CA. These projects have resulted in a shortage of labor in the region causing prime contractors to hire subcontractors further away from the project, which ultimately added cost to the project.
- 2) Increased Contingency and Supervision, Inspection, and Overhead (SIOH) (\$390 thousand).

Source of Funds: Savings from the following projects are available to fund this requirement.

(Dollars in Thousands)

<u>Project/Location</u>	<u>Fiscal Year</u>	<u>Appropriated Amount</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Replace Hydrant Fuel System/ Seymour Johnson AFB, NC	2015	8,500	6,703 ^{1/}	3,195
Replace Hydrant Fuel System/ Robins AFB, GA	2015	19,900	15,900	595
			Total:	3,790

^{1/} Funds are available from this project to source this requirement. The FY 2015 Seymour Johnson project was awarded using \$1.9 million of FY 2011 funds from the FY 2011 Replace Fuel Pier at Craney Island, VA. As a result, a sufficient amount of FY 2015 funds from the Seymour Johnson project is available to source this reprogramming request.

Bid Expiration Date: October 11, 2017

Military Construction, Defense-Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Cannon Air Force Base, New Mexico
Project: Construct Pump House and Fuel Storage
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2016,
Public Law 114-92

Estimated Cost (\$000):

Previously Appropriated	20,400
Previously Reprogrammed	-
Requested Reprogramming	3,110
Total Estimated Cost	23,510

Description: Construct new satellite fuels storage distribution point with two 5,000-barrel above ground fuel storage tanks, 2,400 gallon-per-minute pump house and fuel filter/separator facility with emergency generator, driver's dispatch area, four truck fillstands and two truck off-loads with canopy, transfer pipeline, refueling truck parking and checkout area, and product recovery system. Work includes all necessary control systems, cathodic protection, automatic tanks gauging, fire protection, site work, demolition, utility connections, fencing, and security lighting.

Justification: Based on bids received to date, an additional \$3.1 million is needed to award this project for the full authorized scope approved by Congress, and to provide complete facilities that meet mission requirements. Increased costs have resulted from deteriorating construction market conditions in this area (\$2.7 million). The higher than expected bids also increase the contingency and supervision, inspection, and overhead (SIOH) costs (\$0.4 million).

Source of Funds: Savings from the following projects are available to fund this requirement.

(Dollars in Thousands)

<u>Project/Location</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Construct Fuel Storage and Distribution Facilities/ Camp Lemmonier, DJ	2016	43,700	23,468 ^{1/}	2,946
Upgrade Fuel Pumps/ Yokosuka, JA	2014	10,600	8,000	164
			Total	3,110

1/ A 10 USC 2853 cost variation notification was sent to the congressional committees on November 4, 2016.

Bid Expiration Date: September 30, 2017

Military Construction, Defense-Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Andersen Air Force Base, Guam

Project: Upgrade Fuel Pipeline

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2013,
Public Law 112-239

Estimated Cost (\$000):

Previously Appropriated*	67,410
Sequestration Reduction	-5,204
Revised Appropriation	62,206
Requested Reprogramming	5,000
Total Estimated Cost	67,206

**Reflects sections 3001 and 3004 in P.L. 113-6.*

Description: This project will increase fuel transfer capacity to Andersen Air Force Base, Guam, by upgrading two existing cross-island fuel transfer pipelines (7.5 miles each), upgrading one existing cross-island fuel transfer pipeline (15.7 miles), and constructing one new 10-inch diameter cross-island fuel transfer pipeline (15.7 miles). Work also includes upgrades to an existing pump house, a new generator building with new emergency generators, new filter separators, piping modifications, upgrades to the electrical system, cathodic protection and leak detection and mitigation of construction impacts on archaeological sites.

Justification: Based on the current working estimate, an additional \$5.0 million is needed to complete this project. The additional funds required essentially restore the sequestration reduction taken from the project in FY 2013. These funds are required now to cover costs for changes and contract modifications during construction to address unforeseen underground utilities issues, geotechnical conditions, and delays associated with unexploded ordnance surveys, investigations, and removal.

Source of Funds: Savings from the following projects are available to fund this requirement.

(Dollars in Thousands)

<u>Project/Location</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Construct Hydrant System/ Nellis AFB, NV	2016	39,900	37,000	2,809
Construct Visitor Control Center/Ft Belvoir, VA	2016	5,000	4,935 ^{1/}	1,265
Replace Fuel Distribution Facilities/Selfridge ANG, MI	2015	35,100	34,896	203
Operations Center Phase 1 Richmond, VA	2014	87,000	82,134	723
			Total	5,000

1/ Funds are available from this project to source this requirement. The FY 2016 Ft. Belvoir project was awarded using \$1.2 million of FY 2012 funds from the FY 2012 Replace General Purpose Warehouse at Defense Distribution Depot, PA (\$830 thousand) and from the FY 2012 Replace Hydrant Fuel System at Westover AFB, MA (\$370 thousand). As a result, a sufficient amount of FY 2016 funds from the Ft. Belvoir project are available to source this reprogramming request.

Bid Expiration Date: October 30, 2017

Military Construction, Defense-Wide (DoD Education Activity)

Reprogramming Request

Installation: Marine Corps Base Quantico, Virginia
Project: Quantico Middle/High School Replacement
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2014,
Public Law 113-66

Estimated Cost (\$000):

Previously Appropriated	40,586
Previously Reprogramminged	-
Requested Reprogramming	12,968
Total Estimated Cost	53,554

Description: This project will replace an existing middle/high school facility that is currently in failing condition with a new middle/high school facility. The project includes related infrastructure such as utilities, parking and other site improvements.

Justification: An additional \$13.0 million is required to award this project and provide a complete and useable facility that meets mission requirements. The additional funds are needed due to the following:

1. Changes to Explosive Safety Requirements (\$2.6 million): More stringent construction methods resulting from changes to explosive safety clearance requirements in areas known to be at risk for unexploded ordnance have increased project costs. New definitions of material potentially presenting an explosive hazard now include smaller sized ammunition as a threat, significantly increasing the number of items that need to be mitigated by a trained professional. Trained professionals also need to meet higher training and certification standards to handle the material.
2. Escalation (\$6.5 million): Escalation of the project cost has resulted from a three-year delay in execution as a consequence of the site's prior use as an ordnance training range. The gap between the planned construction start of August 2014, and the current estimated November 2017 start has escalated the cost of the project.

3. Increased Demand for Construction Services (\$3.9 million): Higher demand for general construction services in the Washington DC metropolitan area is having an impact on this project. The skilled and unskilled construction labor market is in higher demand than when this project was programmed several years ago, leading to higher scheduling risk and increased cost.

These increased costs were unforeseen at the time the project was initially estimated.

A Title 10 USC 2853 notification was submitted to Congress on May 9, 2017.

Source of Funds: Funds are available from the FY 2014 Wiesbaden Middle School Replacement, Wiesbaden, GY to fund this requirement.

<u>Project / Location</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	(Dollars in Thousands)	
			<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Wiesbaden Middle School Wiesbaden, GY	2014	50,756	50,647 ¹	12,968

¹ The Wiesbaden project was awarded using FY 2012 funds from three FY 2012 cancelled projects. The cancelled projects were: 1) Bitburg Elementary School Replacement, Spangdahlem, Germany (cancellation notification was sent to Congress on October 2, 2015); 2) Vicenza High School Replacement, Vicenza, Italy (cancellation notification was sent to Congress on April 17, 2015); and 3) Wetzell Smith Elementary Schools Replacement, Baumholder, Germany (cancellation notification sent to Congress on April 17, 2015). As a result, FY 2014 funds from the Wiesbaden project are available to source this reprogramming request (though \$22.7 million of the total funds available has been used as a source on DoDEA's reprogramming request for the Camp Zama High School Renovation project submitted to Congress on May 24, 2017).

Bid Expiration Date: N/A

Military Construction, Army

Reprogramming Request

Installation: Kyogamisaki, Japan

Project: Company Operations Complex

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2014, Public Law 113- 66

Estimate Cost (\$000):

Previously Appropriated	33,000
Previously Reprogrammed	-
Requested Reprogramming	20,200
Total Estimated Cost	53,200

Description: The project consists of a life support area including unaccompanied personnel housing with dining and company operations facilities with covered hardstand, entry control point and administrative facilities for the Missile Defense Agency (MDA) radar site in Kyogamisaki, Japan.

Justification: An additional \$20.2 million is required for this project due to delays in the design process as well as issues with the Government of Japan (GOJ) requiring a design change. GOJ suspended negotiations for the land acquisition in response to public concerns. To resolve the complaints from the public, GOJ requested the final design incorporate dampening/isolation equipment and re-design/re-configure of the footprints and locations for a majority of the facilities causing the design to be delayed an additional five months. The Current Working Estimate including the additional scope request from the GOJ is consistent with current cost estimates for other military construction projects in Japan. Additionally, construction costs in Japan are at a 21-year high due to a demand-supply gap. Reconstruction after the 2011 earthquake and tsunami as well as the hosting of the 2020 Olympics games has sharply increased the construction demand resulting in a record shortage of skilled workers, which is causing an increase in labor costs. The expanding construction demand is also affecting the cost of building materials.

A 10 U.S.C. §2853 cost notification dated April 20, 2017, was submitted to the congressional committees.

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

<u>(Dollars in Thousands)</u>				
<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Joint Base Elmendorf-Richardson, AK Modified Record Fire Range	2013	7,889 ^{/1}	5,727 ^{/2}	560
Fort Benning, GA Ground Source Heat Transfer System	2013	15,979 ^{/1}	9,539 ^{/3}	6,440
Schofield Barracks, HI Barracks	2013	54,927 ^{/1}	45,480 ^{/4}	5,000
Wheeler Army Airfield, HI Combat Aviation Brigade Barracks	2013	84,888 ^{/1}	78,957 ^{/5}	5,000
Fort Leonard Wood, MO Battalion Complex Facilities	2013	25,966 ^{/1}	23,942	1,200
Fort Drum, NY Aircraft Maintenance Hangar	2013	94,875 ^{/1}	92,280	2,000
			Total:	20,200

¹ The appropriated amounts reflect the across-the-board rescissions as directed by the Consolidated and Further Continuing Appropriations Act, 2013, Sections 3001/3004.

² A10 U.S.C. §2853 cost reduction notification dated May 23, 2013, was sent to the congressional committees reflecting a Current Working Estimate (CWE) of \$5.420 million. The CWE includes additional contract modifications.

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⁴ A10 U.S.C. §2853 cost reduction notification dated March 28, 2017, was sent to the congressional committees reflecting a CWE of \$45.317 million. The CWE includes additional contract modifications.

⁵ A10 U.S.C. §2853 cost reduction notification dated March 28, 2017, was sent to the congressional committees reflecting a CWE of \$79.069 million.

Bid Expiration Date: September 30, 2017

Military Construction, Navy

Reprogramming Request

Installation: Naval Base Kitsap, Bangor, Washington

Project: Regional Ship Maintenance Support Facility (P-401)

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	12,753
Previously Reprogrammed	-
Requested Reprogramming	4,519
Total Estimated Cost	17,272

Description: This project constructs a regional ship maintenance facility inside the Waterfront Restricted Area at Naval Base Kitsap Bangor, supporting fleet maintenance operations for all Pacific Fleet submarines. The facility will: 1) consolidate maintenance functions; 2) absorb workload of additional submarines; 3) mitigate the negative impact of increased nuclear weapons security on maintenance operations; 4) support additional future workload driven by the age of the fleet; 5) provide blast-hardened maintenance facilities for personnel working within the explosive safety arcs; and 6) enhance the ability to respond to emergency repairs.

Justification: The current funding requirement for additional funds is attributable to the following:

a) Construction market conditions (+\$4.079 million):

Bids received were significantly higher than the estimated cost previously programmed. Increases in local construction contracting opportunities have resulted in less than favorable market conditions and higher pricing than anticipated. The Navy has over 14 major construction projects underway in the Pacific Northwest with a total value of over \$786 million, placing competitive demands on labor, subcontractors, and material suppliers on an already limited Pacific Northwest market. Research of construction projects in the Seattle area shows 65 major buildings under construction valued at over \$3.5 billion. Prior Seattle highs were 50 major building projects in 2014 and 49 major building projects in 2015. Bids received reflect the current market and labor conditions and include higher than anticipated sub-contractor mark-ups and material costs. These current conditions contribute to additional costs not considered during the cost development of the project.

- b) Increase in Contingency and Supervision, Inspection & Overhead Costs (+\$0.440 million):
The contingency and SIOH amounts have increased due to higher construction costs.

Source of Funds: Savings from the following project is cited as a source of funds for this cost increase.

(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 BAMS Forward Operational & Maintenance Hangar	2014	61,702	56,502	4,519

Bid Expiration Date: September 30, 2017

Military Construction, Army Reserve Program

Reprogramming Request

Location: Fort McCoy, Wisconsin

Project: Annual Training/Mobilization Dining Facility

Authorization: National Defense Authorization Act for Fiscal Year 2017, Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	11,400
Previously Reprogrammed	-
Requested Reprogramming	3,831
Total Estimated Cost	15,231

Description: This project provides for construction of a standard design (1,428 person/21,300 square foot) Annual Training/ Mobilization Dining Facility.

Justification: The cost increase resulted from an unexpected high bidding climate and higher than expected project costs. Recent market conditions, lack of subcontractor workforce, impact of extreme winters on the construction season, and a marked increase in the number of local school construction projects are the contributing cost increase factors.

A 10 U.S.C. §2853 cost notification dated May 9, 2017, was submitted to the congressional committees.

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>
Joint Base McGuire-Dix-Lakehurst, NJ Automated Multipurpose Machine Gun Range	2014	9,500	7,563	1,937
Joint Base McGuire-Dix-Lakehurst, NJ Central Issue Facility	2014	7,900	6,259	1,641
Joint Base McGuire-Dix-Lakehurst, NJ Dining Facility	2014	13,400	13,183	217
Aberdeen Proving Ground, MD Army Reserve Center	2013	23,233 ⁽¹⁾	20,964	36
			Total:	3,831

⁽¹⁾ The appropriated amount includes an Above Threshold Reprogramming of \$3.780 million approved by Congress on March 23, 2016. Further, it reflects the across-the-board rescission of \$0.28 million as directed by the Consolidated and Further Continuing Appropriations Act, 2013, Division G, Sections 3001/3004 and reductions of \$1.591 million as directed by the Budget Control Act of 2001 (Sequestration).

Bid Expiration Date: September 26, 2017

Military Construction, Defense-Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Travis AFB, CA
Project: Replace Hydrant Fuel System
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2017,
Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	26,500
Previously Reprogrammed	-
Requested Reprogramming	3,790
Total Estimated Cost	30,290

Description: This construction project will replace the aging and inadequate F-24 Type III Hydrant Fuel System at Area G on Travis Air Force Base, California with a new Type III Hydrant System that will service fueling operations on Area G and the Hot Cargo Area.

Justification: An additional \$3.79 million is required to award this project and provide complete and useable facilities that meet mission requirements. Additional funds are required due to:

- 1) Increased demand for labor and materials (\$3.42 million): Construction costs have spiked due to major commercial, industrial and utility projects in California and Nevada. Currently there are five large scale projects and programs under construction within the region: the Apple 2 Campus (\$5 billion) in Cupertino, CA; an Apple Command Center (\$2 billion) in Mesa, AZ; the ECHO Wastewater Treatment Projects (\$1.6 billion) in Sacramento, CA; the Tesla Gigafactory (\$5 billion) in Sparks, NV; and the Los Angeles Rams Stadium (\$2.6 billion) in Los Angeles, CA. These projects have resulted in a shortage of labor in the region causing prime contractors to hire subcontractors further away from the project, which ultimately added cost to the project.
- 2) Increased Contingency and Supervision, Inspection, and Overhead (SIOH) (\$390 thousand).

Source of Funds: Savings from the following projects are available to fund this requirement.

(Dollars in Thousands)

<u>Project/Location</u>	<u>Fiscal Year</u>	<u>Appropriated Amount</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Replace Hydrant Fuel System/ Seymour Johnson AFB, NC	2015	8,500	6,703 ^{1/}	3,195
Replace Hydrant Fuel System/ Robins AFB, GA	2015	19,900	15,900	595
			Total:	3,790

^{1/} Funds are available from this project to source this requirement. The FY 2015 Seymour Johnson project was awarded using \$1.9 million of FY 2011 funds from the FY 2011 Replace Fuel Pier at Craney Island, VA. As a result, a sufficient amount of FY 2015 funds from the Seymour Johnson project is available to source this reprogramming request.

Bid Expiration Date: October 11, 2017

Military Construction, Defense-Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Cannon Air Force Base, New Mexico
Project: Construct Pump House and Fuel Storage
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2016,
Public Law 114-92

Estimated Cost (\$000):

Previously Appropriated	20,400
Previously Reprogrammed	-
Requested Reprogramming	3,110
Total Estimated Cost	23,510

Description: Construct new satellite fuels storage distribution point with two 5,000-barrel above ground fuel storage tanks, 2,400 gallon-per-minute pump house and fuel filter/separator facility with emergency generator, driver's dispatch area, four truck fillstands and two truck off-loads with canopy, transfer pipeline, refueling truck parking and checkout area, and product recovery system. Work includes all necessary control systems, cathodic protection, automatic tanks gauging, fire protection, site work, demolition, utility connections, fencing, and security lighting.

Justification: Based on bids received to date, an additional \$3.1 million is needed to award this project for the full authorized scope approved by Congress, and to provide complete facilities that meet mission requirements. Increased costs have resulted from deteriorating construction market conditions in this area (\$2.7 million). The higher than expected bids also increase the contingency and supervision, inspection, and overhead (SIOH) costs (\$0.4 million).

Source of Funds: Savings from the following projects are available to fund this requirement.

(Dollars in Thousands)

<u>Project/Location</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Construct Fuel Storage and Distribution Facilities/ Camp Lemmonier, DJ	2016	43,700	23,468 ^{1/}	2,946
Upgrade Fuel Pumps/ Yokosuka, JA	2014	10,600	8,000	164
			Total	3,110

1/ A 10 USC 2853 cost variation notification was sent to the congressional committees on November 4, 2016.

Bid Expiration Date: September 30, 2017

Military Construction, Defense-Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Andersen Air Force Base, Guam

Project: Upgrade Fuel Pipeline

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2013,
Public Law 112-239

Estimated Cost (\$000):

Previously Appropriated*	67,410
Sequestration Reduction	-5,204
Revised Appropriation	62,206
Requested Reprogramming	5,000
Total Estimated Cost	67,206

**Reflects sections 3001 and 3004 in P.L. 113-6.*

Description: This project will increase fuel transfer capacity to Andersen Air Force Base, Guam, by upgrading two existing cross-island fuel transfer pipelines (7.5 miles each), upgrading one existing cross-island fuel transfer pipeline (15.7 miles), and constructing one new 10-inch diameter cross-island fuel transfer pipeline (15.7 miles). Work also includes upgrades to an existing pump house, a new generator building with new emergency generators, new filter separators, piping modifications, upgrades to the electrical system, cathodic protection and leak detection and mitigation of construction impacts on archaeological sites.

Justification: Based on the current working estimate, an additional \$5.0 million is needed to complete this project. The additional funds required essentially restore the sequestration reduction taken from the project in FY 2013. These funds are required now to cover costs for changes and contract modifications during construction to address unforeseen underground utilities issues, geotechnical conditions, and delays associated with unexploded ordnance surveys, investigations, and removal.

Source of Funds: Savings from the following projects are available to fund this requirement.

(Dollars in Thousands)

<u>Project/Location</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Estimate</u>	<u>Proposed Reprogramming</u>
Construct Hydrant System/ Nellis AFB, NV	2016	39,900	37,000	2,809
Construct Visitor Control Center/Ft Belvoir, VA	2016	5,000	4,935 ^{1/}	1,265
Replace Fuel Distribution Facilities/Selfridge ANG, MI	2015	35,100	34,896	203
Operations Center Phase 1 Richmond, VA	2014	87,000	82,134	723
			Total	5,000

1/ Funds are available from this project to source this requirement. The FY 2016 Ft. Belvoir project was awarded using \$1.2 million of FY 2012 funds from the FY 2012 Replace General Purpose Warehouse at Defense Distribution Depot, PA (\$830 thousand) and from the FY 2012 Replace Hydrant Fuel System at Westover AFB, MA (\$370 thousand). As a result, a sufficient amount of FY 2016 funds from the Ft. Belvoir project are available to source this reprogramming request.

Bid Expiration Date: October 30, 2017

Military Construction, Defense-Wide (DoD Education Activity)

Reprogramming Request

Installation: Marine Corps Base Quantico, Virginia
Project: Quantico Middle/High School Replacement
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2014,
Public Law 113-66

Estimated Cost (\$000):

Previously Appropriated	40,586
Previously Reprogrammed	-
Requested Reprogramming	12,968
Total Estimated Cost	53,554

Description: This project will replace an existing middle/high school facility that is currently in failing condition with a new middle/high school facility. The project includes related infrastructure such as utilities, parking and other site improvements.

Justification: An additional \$13.0 million is required to award this project and provide a complete and useable facility that meets mission requirements. The additional funds are needed due to the following:

1. Changes to Explosive Safety Requirements (\$2.6 million): More stringent construction methods resulting from changes to explosive safety clearance requirements in areas known to be at risk for unexploded ordnance have increased project costs. New definitions of material potentially presenting an explosive hazard now include smaller sized ammunition as a threat, significantly increasing the number of items that need to be mitigated by a trained professional. Trained professionals also need to meet higher training and certification standards to handle the material.
2. Escalation (\$6.5 million): Escalation of the project cost has resulted from a three-year delay in execution as a consequence of the site's prior use as an ordnance training range. The gap between the planned construction start of August 2014, and the current estimated November 2017 start has escalated the cost of the project.

3. Increased Demand for Construction Services (\$3.9 million): Higher demand for general construction services in the Washington DC metropolitan area is having an impact on this project. The skilled and unskilled construction labor market is in higher demand than when this project was programmed several years ago, leading to higher scheduling risk and increased cost.

These increased costs were unforeseen at the time the project was initially estimated.

A Title 10 USC 2853 notification was submitted to Congress on May 9, 2017.

Source of Funds: Funds are available from the FY 2014 Wiesbaden Middle School Replacement, Wiesbaden, GY to fund this requirement.

<u>Project / Location</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	(Dollars in Thousands)	
			<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Wiesbaden Middle School Wiesbaden, GY	2014	50,756	50,647 ¹	12,968

¹ The Wiesbaden project was awarded using FY 2012 funds from three FY 2012 cancelled projects. The cancelled projects were: 1) Bitburg Elementary School Replacement, Spangdahlem, Germany (cancellation notification was sent to Congress on October 2, 2015); 2) Vicenza High School Replacement, Vicenza, Italy (cancellation notification was sent to Congress on April 17, 2015); and 3) Wetzell Smith Elementary Schools Replacement, Baumholder, Germany (cancellation notification sent to Congress on April 17, 2015). As a result, FY 2014 funds from the Wiesbaden project are available to source this reprogramming request (though \$22.7 million of the total funds available has been used as a source on DoDEA's reprogramming request for the Camp Zama High School Renovation project submitted to Congress on May 24, 2017).