



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

JUL 22 2021

COMPTROLLER

The Honorable Debbie Wasserman Schultz  
Chairwoman  
Subcommittee on Military Construction,  
Veterans Affairs, and Related Agencies  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515

Dear Madam Chairwoman:

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 are enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
	<u>Army</u>			
1	Fort Drum, New York	Railhead	2020	10,050,000
	<u>Navy</u>			
2	Joint Region Marianas, Guam	Hardening of Guam POL Infrastructure	2017	19,200,000
	<u>Air Force</u>			
3	Travis Air Force Base, California	ADAL Aerial Port Squadron Material Warehouse	2020	17,011,000
4	Little Rock Air Force Base, Arkansas	Dormitory (168 PN)	2018	10,268,000
5	Eielson Air Force Base, Alaska	F-35 AME Storage Facility	2020	8,705,000
	<u>Defense-Wide (Department of Defense Education Activity)</u>			
6	Sembach Kaserne, USAG Kaiserslautern, Germany	Sembach Elementary and Middle School Replacement	2017	7,508,000
	<u>Army Reserve</u>			
7	MacDill Air Force Base, Florida	Army Reserve Center (ARC) / Aviation Support Facility (ASF)	2016	3,221,000

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.

Michael McCord

Enclosures:  
As stated

cc:  
The Honorable John Carter  
Ranking Member



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COMPTROLLER

The Honorable Martin Heinrich  
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 Chairwoman of the House Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Thank you for your continued support of Defense programs.

  
Michael McCord

Enclosures:  
As stated

cc:  
The Honorable John Boozman  
Ranking Member

Bid Expiration Date: January 3, 2022

Military Construction, Army

Reprogramming Request

Installation: Fort Drum, New York

Project: Railhead

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020,  
Public Law 116-92

Estimated Cost (\$000):

Previously Appropriated	21,000
Previously Reprogrammed	0
Requested Reprogramming	10,050
Total Estimated Cost	31,050

Project Description: This project will construct a new railhead loading facility with track spurs, concrete rail and truck ramps, operations storage and container maintenance building, alert holding area scale house inspection building, concrete staging/marshalling areas, parking areas and associated site improvements.

Justification: An additional \$10.050 million is required to award the project. The increase in cost is attributed to current market conditions. The preliminary assessment of the proposals indicates a significant portion of the cost increase is attributable to the influence of COVID-19 disrupting the construction materials supply chain leading to shortages, increased demand, and construction delays. Steel is a primary component for the rail tracks and building structures. While the demand for steel remains high, production has slowed due to a low supply of raw material. Steel prices have increased over 50 percent in the past year. Additionally, diesel fuel costs are up by 32 percent since October 2020 and projected to continue upward, greatly increasing equipment operating costs. At the time this project was budgeted, the algorithms used to escalate the cost estimate did not account for such a large cost increase

A 10 U.S.C. §2853 cost variation notification dated May 25, 2021 was submitted to Congress.

Source of Funds: 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Lucius D. Clay Kaserne, GY Controlled Humidity Warehouse	2017	16,500	270 <sup>1/</sup>	10,050
Total				10,050

<sup>1/</sup> A 10 U.S.C. §2853 cancelation notification dated May 18, 2021 was submitted to Congress.

Bid Expiration Date: September 30, 2021

Military Construction, Navy

Reprogramming Request

Installation: Joint Region Marianas, Guam

Project: Hardening of Guam POL Infrastructure

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017,  
Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	26,975
Previously Reprogrammed	0
Requested Reprogramming	19,200
Total Estimated Cost	46,175

Project Description: Constructs hardened shelters over and around three Navy Petroleum Oil Lubricant (POL) infrastructure elements which include an existing pump house at Tenjo Vista, a new valve pit at Delta/Echo Piers, and an existing valve pit at the Tiyan Junction Manifold. The new valve pit replaces the two separate pits for Delta and Echo piers.

Justification: Design changes were a significant driver in cost increases. Tiyan Junction manifold is an existing below ground structure with a non-hardened reinforced concrete cover at grade. Design for the enacted project was based on a preliminary design of building a hardened concrete structure with blast doors to cover the existing manifold pit with the existing valves, pipes and appurtenances to remain. However, during proposal development it was determined the manifold pit and its valves and pipes had to be reconstructed above ground in order to meet the intended level of resilience. This design change resulted in increased project costs to account for additional cybersecurity commissioning requirements due to updated design criteria, installation of a radon mitigation system, additional earthwork, site drainage improvements, chain link fencing, landscaping, site demolition, contaminated soil removal/disposal, and driveway/roadway improvements. This design change also resulted in additional electrical, mechanical, and environmental requirements.

To support construction and maintenance activity, a two-ton bridge crane in each of the three hardened shelters is necessary. The bridge cranes will facilitate the removal and installation of pipeline appurtenances within each of the three structures for maintenance purposes.

The competitive bidding climate in the region impacted project costs. During the solicitation for the project, several other large military construction projects were also in the solicitation stage (e.g. Defense Policy Review Initiative) resulting in limited construction industry interest in this project. Contingency, post construction contract award services, Guam gross receipts tax, and supervision, inspection & overhead contributed to the increased cost of the project.

A 10 U.S.C. §2853 cost variation notification dated June 10, 2021 was submitted to Congress.

Source of Funds: 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
NAVBASE Guam, Joint Region Marianas, GU Power Upgrade - Harmon	2017	62,210	31,681 <sup>1/</sup>	16,604
Lemoore, CA F-35C Engine Repair Facility	2017	26,723	18,836 <sup>2/3/</sup>	1,537
Great Lakes, IL Unaccompanied Housing	2017	35,900	35,413	487
Elgin AFB, FL WMD Field Training Facilities	2017	20,489	20,005	484
Rota, SP Communications Station	2017	23,607	23,130	88
<b>Total</b>				19,200

<sup>1/</sup> A 10 U.S.C. §2853 cost variation notification dated March 7, 2018 was submitted to Congress.

<sup>2/</sup> A 10 U.S.C. §2853 cost variation notification dated July 5, 2017 was sent to Congress.

<sup>3/</sup> Reflects a revised appropriated total of \$20.373M as a result of a \$3.850M reprogramming decrease approved by Congress in November 2018 and a \$2.500M reprogramming decrease approved by Congress in March 2021.

Bid Expiration Date: August 25, 2021

Military Construction, Air Force

Reprogramming Request

Installation: Travis Air Force Base (AFB), California

Project: ADAL Aerial Port Squadron Material Warehouse

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020,  
Public Law 116-92

Estimated Cost (\$000):

Previously Appropriated	17,000
Previously Reprogrammed	0
Requested Reprogramming	17,011
Total Estimated Cost	34,011

Project Description: This project will construct a facility to support the replacement of the existing Mechanized Material Handling System and will include a reinforced concrete foundation, structural steel frame, electrical, and support rails to facilitate the replacement of the old material handling system. The project will include fire suppression systems, all utilities, roll up doors, communications, site improvements and associated support facilities.

Justification: The cost increase is due to market conditions and limited competition. The market conditions include higher materials costs resulting from market volatility, disrupted manufacturing/production, and the material inflation resulting from the pandemic. The solicitation for the project received limited competition due to competing construction projects in the region.

A 10 U.S.C. §2853 cost variation notification dated April 20, 2021 was submitted to Congress.

Source of Funds: 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Joint Base Charleston, SC Fire & Rescue Station	2017	17,000	0 <sup>1/</sup>	4,946
Joint Base Langley-Eustis, VA Fuel System Maintenance Dock	2017	14,200	0 <sup>2/</sup>	3,932
Luke AFB, AZ F-35A Squad Ops #6	2019	17,000	0 <sup>3/</sup>	1
Luke AFB, AZ F-35A Aircraft Maintenance Unit Facility	2019	23,000	0 <sup>3/</sup>	4,697
RAF Lakenheath F-35A ADAL Parts Store	2019	13,926	3,951 <sup>4/</sup>	3,435
Total				17,011

<sup>1/</sup> A 10 U.S.C. §2853 cancelation notification dated April 1, 2021 was submitted to Congress.

<sup>2/</sup> A 10 U.S.C. §2853 cancelation notification dated May 5, 2021 was submitted to Congress.

<sup>3/</sup> A 10 U.S.C. §2853 cancelation notification dated July 24, 2019 was submitted to Congress.

<sup>4/</sup> A 10 U.S.C. §2853 cancelation notification dated April 28, 2021 was submitted to Congress.

Bid Expiration Date: August 31, 2021

Military Construction, Air Force

Reprogramming Request

Installation: Little Rock Air Force Base, Arkansas

Project: Dormitory (168 PN)

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018,  
Public Law 115-91

Estimated Cost (\$000):

Previously Appropriated	27,000 <sup>1/</sup>
Previously Reprogrammed	0
Requested Reprogramming	10,268
Total Estimated Cost	37,268

<sup>1/</sup> The Previously Appropriated amount is the sum of the project's initial appropriation of \$20,000 in FY 2018 and an additional appropriation of \$7,000 in FY 2020. The additional appropriation funded the project from the Air Force's unfunded priority list.

Project Description: This project constructs a 168-person, multi-story, external access permanent party dormitory.

Justification: The cost increase is due to current market conditions and fewer qualified small business bidders than expected. The market conditions included higher materials costs resulting from market volatility and disrupted manufacturing and production. The cost escalation was compounded by extensive storm damage in the region and increased demands resulting from rebuild efforts.

A 10 U.S.C. §2853 cost variation notification dated June 1, 2021 was submitted to Congress.

Source of Funds: 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Langley AFB, VA Fuel System Maintenance Dock	2017	14,200	0 <sup>1/</sup>	10,268
Total				10,268

<sup>1/</sup> A 10 U.S.C. §2853 cancelation notification dated May 5, 2021 was submitted to Congress.

Bid Expiration Date: September 10, 2021

Military Construction, Air Force

Reprogramming Request

Installation: Eielson Air Force Base, Alaska

Project: F-35 AME Storage Facility

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020,  
Public Law 116-92

Estimated Cost (\$000):

Previously Appropriated	8,600
Previously Reprogrammed	0
Requested Reprogramming	8,705
Total Estimated Cost	17,305

Project Description: This project constructs a 1,208 square-meter storage facility for Alternate Mission Equipment (AME) associated with the F-35 mission. The facility provides space for performing off-equipment maintenance and storage of AME for 54 F-35A aircraft.

Justification: The project cost increased due to re-siting to avoid PFOS/PFOA contaminated areas with significantly higher remediation costs. The costs associated with re-siting the project include: mitigating permafrost conditions at the new location; more extensive site work and ground preparation for infrastructure; construction contractor overhead and associated delay costs due to project redesign and site approval due to relocation within explosive safety boundaries; and correcting an underestimate in the cost of design during construction.

A 10 U.S.C. §2853 cost variation notification dated April 1, 2021 was submitted to Congress.

Source of Funds: 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Andersen AFB, Joint Region Marianas, GU Munition Storage Igloos PH 3	2020	65,000	56,295	8,705
Total				8,705

Bid Expiration Date: September 10, 2021

Military Construction, Defense-Wide (Department of Defense Education Activity)

Reprogramming Request

Installation: Sembach Kaserne, USAG Kaiserslautern, Germany

Project: Sembach Elementary and Middle School Replacement

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017,  
Public Law 114-328

Estimated Cost (\$000):

Previously Appropriated	45,221
Previously Reprogrammed	0
Requested Reprogramming	7,508
Total Estimated Cost	52,729

Project Description: The project includes construction of a 119,036 SF multi-story elementary school, playgrounds/fields, and demolition of 151,834 SF of existing buildings on Sembach Kaserne. The project was divided into two separate construction contracts. The first contract, which encompassed the site preparation work, was awarded in June 2019 and was completed in April 2020. The main contract encompasses construction of the new elementary school. The new facility will meet DoDEA 21<sup>st</sup> Century School requirements.

Justification: An additional \$7.508 million is needed to award the main contract to complete construction of the school. The main contract was advertised on January 12, 2021, and all four bids received exceeded funds available. All proposals were found to be fair and reasonable and similar in pricing. The additional funds are needed due to the following:

- Market Conditions and Construction Climate (\$6.5 million): Cost increases are associated with construction market saturation in the Kaiserslautern area resulting in labor shortages (\$1.2 million) and recent material escalation costs, especially for steel, facade material, and wood (\$5.3 million).
- Contingency and Supervision and Administration (S&A) Costs (\$1.0 million): Increases are directly associated with higher construction costs.

A 10 U.S.C. §2853 cost variation notification is not required.

Source of Funds: 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Kadena Air Base, JA Kadena Elementary School Replacement	2017	84,918	81,908	7,508 <sup>1/</sup>
Total				7,508

<sup>1/</sup> Funds are available since \$20.314 million from the FY 2014 Lakenheath High School Replacement project at RAF Lakenheath, UK was used to award the project. A 10 USC 2853 cancellation notification for the Lakenheath project was submitted to Congress on June 4, 2018.

Bid Expiration Date: N/A

Military Construction, Army Reserve

Reprogramming Request

Installation: MacDill Air Force Base, Florida

Project: Army Reserve Center (ARC) / Aviation Support Facility (ASF)

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016,  
Public Law 114-92

Estimated Cost (\$000):

Previously Appropriated	55,000
Previously Reprogrammed	1,779 <sup>1/</sup>
Requested Reprogramming	3,221
Total Estimated Cost	60,000

<sup>1/</sup> The Previously Reprogrammed amount is the result of below threshold reprogramming actions.

Project Description: Constructs an Army Reserve Center (ARC) Training Building / Aviation Support Facility (ASF), to include an organizational maintenance shop and unheated storage building.

Justification: This contract was awarded in September 2017 for \$49.4 million. Since that time, a number of mandatory modifications involving engineering design have occurred which has exhausted contingency funding. Additional modifications are necessary which will exceed the below threshold reprogramming authority. The primary modification required is the reconfiguration of storm water infiltration basins which was creating a bird air strike hazard as originally constructed. These modifications are attributable to contractual antecedent liabilities. There is insufficient expired funding to cover the increased cost as an account adjustment. It is permissible to use unexpired FY 2018 funds for this purpose. This reprogramming is required to fulfill existing contract obligations.

A 10 U.S.C. §2853 cost variation notification is not required.

Source of Funds: 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Worldwide Various Planning & Design	2018	26,887	N/A	3,221
Total				3,221