



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

JAN 12 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 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>Defense Logistics Agency</u>				
1	Naval Air Station Lemoore California	Replace Fuel Storage & Distribution Facilities	2015	9,922,000
<u>Defense Health Agency</u>				
2	Fort Bliss, Texas	Hospital Replacement	2010	74,000,000
<u>Department of Defense Education Activity</u>				
3	Maxwell Air Force Base, Alabama	Elementary/Middle School Replacement/Renovation	2016	11,115,000
4	Fort Jackson, South Carolina	Pierce Terrace Elementary School Replacement	2016	9,320,000

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

JAN 12 2017

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

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>
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Sincerely,

Michael McCord

Enclosures:

As stated

cc:

The Honorable Jon Tester
Ranking Member

Bid Expiration Date: March 23, 2017
Military Construction, Defense-Wide (Defense Logistics Agency)
Reprogramming Request

Installation: Naval Air Station, Lemoore, CA
Project: Replace Fuel Storage and Distribution Facilities
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2015, Public Law 113-291

Estimated Cost (\$000):

Previously Appropriated	52,500
Previously Reprogrammed	0
Requested Reprogramming	9,922
Total Estimated Cost	62,422

Description: This project will replace existing deteriorated jet-fuel storage and distribution facilities to sustain flight operations in support of current operation plans, essential war-fighting training and potential contingencies by providing three above ground fuel storage tanks, a pump house, fuel piping to twenty existing hot fuel outlets and truck loading and unloading stations. The existing underground fuel storage tanks and associated distribution pipelines will be demolished/decommissioned.

Justification: An additional \$9.922 million is required to award this project and provide complete and useable facilities that meet mission requirements. The additional \$9.922 million is needed for:

1. Market Conditions (\$7.2 million): Cost for carbon steel has increased over 10 percent and a large portion of this project is comprised of carbon steel tanks and piping. Fringe benefits for skilled labor have increased. The Southwest region has experienced an increased demand for labor, especially in the mechanical and electrical trades. In addition, several contractors that regularly compete on these types of projects did not submit proposals; therefore, there were fewer bidders than anticipated.
2. Environmental Requirements for Coatings (\$1.1 million): New Environmental Protection Agency regulatory requirements for volatile organic compound compliance were issued and had to be incorporated into the project design, but these were not known at the time the project was programmed. The cost of the new coating system is significantly higher than previous requirements.

3. Sequencing to Support Operations (\$1.6 million): Bids reflect the challenges of phasing/sequencing work to maintain operations at an active airfield and a complex fuel storage and distribution facility. Although costs for construction phasing were included in the original project estimate, the extent of phasing was more fully defined during design development, resulting in higher contractor bids.

A 10 U.S.C. §2853 cost variation notification was sent to the congressional committees on November 28, 2016.

Source of Funds: Savings from the following projects are available 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>
General Purpose Warehouse/ Defense Distrib. Depot-Tracy, CA	2014	37,554	35,333	2,221
Upgrade Fuel Pumps/ Yokosuka, JA	2014	10,600	8,000	1,579
Upgrade Hazardous Material/ Defense Distrib. Depot New Cumberland, PA	2014	3,100	- ^{1/}	2,100
Replace and Alter Fuel Distribution Facilities/ Craney Island, VA	2015	36,500	28,260	<u>4,022</u>
Total				9,922

^{1/}Congress was notified of this project cancellation on December 28, 2015.

Bid Expiration Date: Not Applicable
Military Construction, Defense-Wide (Defense Health Agency)
Reprogramming Request

Installation: Fort Bliss, TX

Project: Hospital Replacement

Authorization: National Defense Authorization Act for Fiscal Year (FY) 2010,
Public Law 111-84

<u>Estimated Cost (\$000):</u>	
Previously Appropriated*	856,570
Previously Reprogrammed	-
Requested Reprogramming	74,000
Total Estimated Cost	930,570

**Includes FY 2010, 2011, 2012 2013, 2014, 2015 and FY 2016 Increments. Reflects rescissions in P.L. 112-10 and 113-6 and the sequestration of P.L. 112-25.*

Description: The Hospital Replacement project at Fort Bliss, Texas is an incrementally funded project that constructs a new medical facility to replace the existing William Beaumont Army Medical Center. The facility will consist of a main hospital, inpatient and outpatient clinics; and numerous support facilities. The new medical center will be comprised of 135 beds, 10 operating rooms, and 30 specialty clinics to include: women's health services, behavioral health, physical and occupational therapy; gastroenterology, oncology, hematology, general surgery, family medicine, vascular surgery, plastic surgery, imaging services, pharmacy, laboratory, patient administration, logistics, a dining facility, administration, and limited retail. The medical center will support 15 Graduate Medical Education programs to include nursing and enlisted training programs.

Justification: Additional funds are required to cover increased cost to this project. The costs include mandatory design modifications; contingency, construction support services, and negotiated contractor request for equitable adjustment (REAs) items, for a total request of \$74.0 million. These funds are required in February 2017 to prevent delays in construction. There is the potential that additional funds beyond this request may be needed in the future to award the three remaining construction contracts (Access Control Point, Parking, and Additional Supporting Facilities), and to fund additional REA items which have not yet been validated. The additional \$74.0 million in this reprogramming request breaks down as follows:

- i. \$57.0 million for mandatory design modifications that must be completed in FY 2017 to maintain construction progress and minimize cost impacts. This includes:
 - a. \$13.0 million to address seismic deficiencies.

- b. \$26.0 million to correct design errors throughout all disciplines (architectural, mechanical, electrical, and communications).
 - c. \$10.0 million for design omissions associated with the atrium, central utility plant, and equipment integration.
 - d. \$8.0 million for labor safety compliance features.
2. \$10.0 million for Contingency. Funds for unforeseen issues on the primary construction contract have been depleted due to design defects. Funds are needed to ensure resources are available for unforeseen conditions yet to occur.
 3. \$2.0 million for Construction Support Services. These services include on-site personnel providing daily support with Requests for Information, submittal reviews and technical questions as well as a team of architects and engineers providing reach back support. The additional funds are required to provide these services over a longer period of time.
 4. \$5.0 million for negotiated settlement of contractor requests for equitable adjustments.

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

<u>Project/Location</u>	<u>Fiscal Year</u>	<u>(Dollars in Thousands)</u>		
		<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Ambulatory Health Center Fort Knox, KY	2014	145,000	- ^{1/}	65,000
Medical/Dental Clinic Cannon AFB, NM	2013	65,453 ^{3/}	52,148 ^{2/}	9,000
Total				74,000

^{1/} A 10 U.S.C. §2853 cancellation notification, dated March 31, 2014 was sent to the congressional committees. \$80.0 million of these funds will be used to fund the new Medical Clinic at Ft. Knox, KY. The Medical Clinic was authorized in the FY 2016 National Defense Authorization Act in place of the Ambulatory Health Center project.

^{2/} A 10 U.S.C. §2853 cost decrease notification was sent to the congressional committees on March 11, 2014.

^{3/} Reflects reduction associated with the FY 2013 sequestration order.

Proposals Expiration Date: March 31, 2017

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

Reprogramming Request

Installation: Maxwell Air Force Base, Alabama
Project: Maxwell Elementary/Middle School Replacement/Renovation
Authorization: National Defense Authorization Act for Fiscal Year (FY) 2016,
Public Law 114-92

Estimated Cost (\$000):
Previously Appropriated 32,968
Previously Reprogrammed -
Requested Reprogramming 11,115
Total Estimated Cost 44,083

Description: This project will construct a 69,952 SF addition and renovate 69,952 SF of an existing elementary middle school building that is currently in poor/failing condition. The project will demolish 75,299 SF of substandard facility space. The project includes related infrastructure such as utilities, parking and other site improvements.

Justification: Based on bids received, the current funding requirements exceeds the appropriated amount by \$11.1 million. Costs are increasing due to higher than anticipated risk associated with complex construction phasing to include two separate phases of renovations which was not originally estimated. Limited bidding for the electrical and drywall work and escalating steel prices have also contributed to the increase cost of this project. This reprogramming is required to construct a facility that fully meets mission requirements.

A Title 10 Section 2853 notification was sent to Congress on November 7, 2016.

Source of Funds: Savings from the following cancelled project are available to fund this requirement. Congress was notified of the project cancellation on March 31, 2014.

(Dollars in Thousands)

Location / <u>Project</u>	Fiscal <u>Year</u>	Amount <u>Appropriated</u>	Current Working <u>Estimate</u>	Proposed <u>Reprogramming</u>
Fort Knox, Kentucky Van Voorhis-Mudge ES	2014	38,023	-	11,115

Bid Expiration Date: March 31, 2017
 Military Construction, Defense-Wide
 Department of Defense Education Activity (DoDEA)
 Reprogramming Request

Installation: Fort Jackson, South Carolina

Project: Pierce Terrace Elementary School Replacement

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

<u>Estimated Cost (\$000):</u>	
Previously Appropriated	26,157
Previously Reprogramming	-
Requested Reprogramming	9,320
Total Estimated Cost	35,477

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

Justification: Based on bids received, an additional \$9.320 million is needed to award this project for the full authorized scope approved by Congress. Increased construction costs are due to significant local flooding in 2015 causing an increased demand for construction materials and labor services, plus a rise in steel prices across the United States.

A 10 USC §2853 notification was sent to Congress on September 1, 2016.

Source of Funds: Savings from the following cancelled project are available to fund this requirement. Congress was notified of the project cancellation on March 31, 2014.

(Dollars in Thousands)				
Location / Project	Fiscal Year	Amount Appropriated ^{1/}	Current Working Estimate	Proposed Reprogramming
Kadena Air Base, Japan	2013	66,144 ^{2/}	-	9,320
Stearley Heights ES				

^{1/} Reflects a reduction associated with the FY 2013 sequestration order.

^{2/} \$52.1M of these funds have been used as a source on multiple prior approval reprogramming actions previously approved by Congress.