



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

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

APR 08 2019

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 is enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
	<u>Army</u>			
1	Joint Base Langley-Eustis, Virginia	Aircraft Maintenance Instructional Building	2018	13,000,000
	<u>Air Force</u>			
2	Eielson Air Force Base, Alaska	F-35A Missile Maintenance Facility	2017	8,235,000
3	Malmstrom Air Force Base, Montana	Relocate Missile Maintenance Facility	2017	6,235,000
	<u>Defense Logistics Agency</u>			
4	Seymour Johnson Air Force Base, North Carolina	Construct Tanker Truck Delivery System	2018	5,147,000
5	Fort Belvoir, Virginia	Replace Ground Vehicle Fueling Facility	2016	5,000,000
	<u>Special Operations Command</u>			
6	Kadena Air Base, Japan	SOF Simulator Facility (MC-130)	2017	6,910,000

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,

Elaine McCusker
Deputy Under Secretary of Defense
(Comptroller)

Enclosures:
As stated

cc:
The Honorable John Carter
Ranking Member





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APR 08 2019

The Honorable John Boozman
Chairman, Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
U.S. Senate
Washington, DC 20510

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Elaine McCusker
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Enclosures:
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cc:
The Honorable Brian Schatz
Ranking Member



Bid Expiration Date: July 1, 2019

Military Construction, Army

Reprogramming Request

Installation: Joint Base Langley – Eustis, Virginia

Project: Aircraft Maintenance Instructional Building

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018,
Public Law 114–328

Estimated Cost (\$000):

Previously Appropriated	34,000
Previously Reprogrammed	0
Requested Reprogramming	13,000
Total Estimated Cost	47,000

Project Description: The project constructs a 115K square-foot Aircraft Maintenance Instructional Building. It includes high bays with space for applied instruction classrooms, supporting laboratories, instructor work and counseling areas, supporting space to enable automated instruction as well as aircraft part and equipment mock-up demonstration, and ground support equipment storage. The installation has a shortage of high-bay space capable of providing the instruction needed for aviation maintenance. The training at this installation supports the Army, the Army Reserves, the Army National Guard, the Air Force and Marine Corps.

Justification: An additional \$13 million is required to award the contract for this project based on the actual successful bid. All proposals received were above the project amount. Project cost escalation of the instruction building shows the contractor bid is 35% higher than the DD1391 estimate, while the ground support activity storage area cost estimate is 298% of that in the DD1391. An assessment of the actual proposals shows that the cost growth is primarily attributable to recent escalation of costs in construction industry labor (shortages of skilled labor), materials, and fuel. Additionally, the maintenance area of the project incorporates numerous large steel beams. Steel prices have been rising and are unpredictable, so the contractor's proposals include additional pricing as they are not sure what the prices will be when they have to lock in their steel orders for this project. During the design phase of this project, the Army performed a Value Engineering review and implemented all feasible cost savings identified.

A 10 USC 2853 notification was submitted to Congress on December 7, 2019.

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Fort Carson, CO Aircraft Maintenance Hangar	2015	71,900 ^{1/}	70,900	1,000
Fort Carson, CO Unmanned Aerial Vehicle Hangar	2015	28,900 ^{2/}	28,887	13
Naval Station Guantanamo Bay, CU Health Clinic	2015	9,600 ^{3/}	9,570	30
Bluegrass Army Depot, KY Shipping and Receiving Building	2015	14,350 ^{4/}	14,205	145
Fort Drum, NY Unmanned Aerial Vehicle Hangar	2015	21,325 ^{5/}	20,831	494
Fort Hood, TX Simulation Center	2015	65,000 ^{6/}	62,900	2,100
Fort Drum, NY NCO Academy Complex	2016	17,600 ^{7/}	16,600	500
Fort Lee, VA Training Support Facility	2016	33,000	32,500	500
Naval Station Guantanamo Bay, CU Mass Migration Complex	2017	33,000	26,362	718 ^{8/}
Fort Hood, TX Automated Infantry Platoon Battle Course	2017	7,600	7,600	5,000 ^{9/}

Fort Gordon, GA Access Control Point	2018	33,000	33,000	2,500 ^{10/}
Total				13,000

^{1/} Reflects a revised PA of \$71.9 million as a result of reprogramming increase approved by Congress in June 2017.

^{2/} This project was appropriated at \$29 million. The Army reprogrammed \$0.100 million to the Expeditionary Legal Complex at Naval Station Guantanamo Bay, CU (action was approved in January 2018).

^{3/} This project was appropriated at \$11.8 million. The Army reprogrammed \$2.2 million to the Expeditionary Legal Complex at Naval Station Guantanamo Bay, CU (action was approved in January 2018).

^{4/} This project was appropriated at \$15 million. The Army reprogrammed \$0.650 million to the Expeditionary Legal Complex at the Naval Station Guantanamo Bay, CU (action was approved in January 2018).

^{5/} This project was appropriated at \$27 million. The Army reprogrammed \$4.275 million to the Command and Control Facility at Fort Gordon, GA (action was approved in December 2016) and \$1.4 million to the Reception Barracks at Ft. Sill, OK (action was approved in November 2018).

^{6/} This project was appropriated at \$46 million. The Army reprogrammed \$8.0 million to the Reception Barracks at Ft. Sill, OK (action was approved in November 2018). The Army reprogrammed \$27 million to the Simulations Center at Fort Hood, TX (action was approved in February 2017).

^{7/} This project was appropriated at \$19 million. The Army reprogrammed \$1.4 million to the Expeditionary Legal Complex at Naval Station Guantanamo Bay, CU (action was approved in January 2018).

^{8/} Funds are available to source this requirement. The 2017 Guantanamo Bay project was awarded using \$2 million of FY2014 funds from the FY2014 Airfield Operations Complex at Joint Base Lewis-McChord. As a result, a sufficient amount of FY2017 funds from the Guantanamo Bay project are available to source this reprogramming request.

^{9/} Funds are available to source this requirement. The 2017 Fort Hood project was awarded using \$5 million of FY2013 funds from the FY2013 Barracks project at Camp Ederle, IT. As a result, a sufficient amount of FY2017 funds from the Fort Hood project are available to source this reprogramming request.

^{10/} Funds are available from this project to source this requirement. The FY2018 Fort Gordon project was awarded using \$2.5 million of FY2014 funds from various FY2014 projects. As result, a sufficient amount of FY2018 funds are available from the Fort Gordon project are available to source this reprogramming request.

Bid Expiration Date: July 6, 2019

Military Construction, Air Force

Reprogramming Request

Installation: Eielson Air Force Base, Alaska

Project: F-35A Missile Maintenance Facility

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

Estimated Cost (\$000):

Previously Appropriated	12,800
Previously Reprogrammed	0
Requested Reprogramming	8,235
Total Estimated Cost	21,035

Project Description: This project will provide a missile maintenance facility including missile holding areas, loading apron and a utility duct system.

Justification: A special foundation is required due the project being sited in a wetland area and to accommodate arctic conditions. Permafrost requires ground thawing and deep dynamic compaction of the foundation. Contractors on previously awarded contracts are experiencing costs significantly higher than anticipated for this foundation preparation, resulting in high bids on this project. The extent of these foundation costs was not recognized when budgeting this project.

A 10 USC 2853 notification was submitted to Congress on February 11, 2019.

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
JBSA ^{1/} -Lackland, Texas BMT Recruit Dormitory 7	2018	90,130	0 ^{2/}	8,235 ^{3/}
Total				8,235

^{1/} Joint Base San Antonio

^{2/} A 10 U.S.C. §2853 notice of cancellation was sent to the congressional committees on September 27, 2018.

^{3/} The source project was used to fund two projects in a previous reprogramming request: \$19,563 was reprogrammed to BMT Recruit Dormitory 5 and \$14,652 was reprogrammed to BMT Classrooms/Dining Facility Phase 3.

Bid Expiration Date: July 18, 2019

Military Construction, Air Force

Reprogramming Request

Installation: Malmstrom Air Force Base, Montana

Project: Relocate Missile Maintenance Facility

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

Estimated Cost (\$000):

Previously Appropriated	14,600
Previously Reprogrammed	0
Requested Reprogramming	6,235
Total Estimated Cost	20,835

Project Description: This project provides a missile maintenance dispatch facility to provide office space, storage for components and equipment for the missile field, shop space, and heated vehicle parking to prolong resource lifespan of specialty missile transport vehicles

Justification: Construction on the Front Range of Montana has significantly increased in recent years driven by a strong economy. Increased construction has generated a competitive construction market wherein the costs for subcontractor resources, skilled / unskilled labor and materials are also increasing. The project will require 690 calendar days (nearly two years) to complete and will require extensive labor resources for the majority of the duration. The escalating cost of resources over the time required to construct the project was not predicted and not adequately reflected by the cost estimate during program development.

A 10 USC 2853 notification was submitted to Congress on February 11, 2019.

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
JBSA ^{1/} -Lackland, Texas BMT Recruit Dormitory 7	2018	90,130	0 ^{2/}	6,235 ^{3/}
Total				6,235

^{1/} Joint Base San Antonio

^{2/} A 10 U.S.C. §2853 notice of cancellation was sent to the congressional committees on September 27, 2018.

^{3/} The source project was used to fund two projects in a previous reprogramming request: \$19,563 was reprogrammed to BMT Recruit Dormitory 5 and \$14,652 was reprogrammed to BMT Classrooms/Dining Facility Phase 3.

Bid Expiration Date: May 30, 2019

Military Construction, Defense –Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Seymour Johnson Air Force Base, North Carolina

Project: Construct Tanker Truck Delivery System

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

Estimated Cost (\$000):

Previously Appropriated	20,000
Previously Reprogrammed	0
Requested Reprogramming	5,147
Total Estimated Cost	25,147

Project Description: Construct truck unloading and load stand facilities, four unload drop tanks with 400 gallonper minute pumps and secondary containment, a pump house with simultaneous issue and transfer capabilities, fuel piping, and refueler truck parking area. Provide utilities, storm sewer, pavement, access roads, area lighting, emergency generator, cathodic protection, leak detection, fire protection, communications, site preparation and improvements, canopies for drop tanks and fill stands. Demolish existing pump house, truck offload points, co-located fill stands, and associated fuel lines.

Justification: Based on bids received to date, an additional \$5.147 million is required to award this project at full scope to meet mission requirements. The cost increase is primarily due to current market conditions causing a shortage of experienced labor and higher material costs (\$4.27 million). Contingency and Supervision, Inspection, and Overhead (SIOH) have also increased due to the higher construction costs (\$0.877 million).

A 10 USC 2853 notification was submitted to Congress on December 4, 2018.

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Kwajalein Atoll Replace Fuel Storage Tanks	2017	85,500	72,511 ^{1/}	3,247
Red River, TX Construct Warehouse And Open Storage	2017	44,700	40,312	1,900
Total				5,147

^{1/} A 10 USC 2853 cost variation notification was sent to Congress on October 26, 2017.

Bid Expiration Date: June 30, 2019

Military Construction, Defense –Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Fort Belvoir, VA

Project: Replace Ground Vehicle Fueling Facility

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

Estimated Cost (\$000):

Previously Appropriated	4,500
Previously Reprogrammed	0
Requested Reprogramming	5,000
Total Estimated Cost	9,500

Project Description: Provide a ground vehicle fueling facility with control building, four self-contained double walled underground tanks, integral receipt, and dispensing stations with four outlets and canopy, and secondary containment. Provide two truck fillstands with four offload connections and canopy, and parking for two refueler trucks.

Justification: Based on several solicitation attempts, an additional \$5.0 million is needed to award this project to provide complete and useable facilities that meet mission requirements. No bids were received on the initial solicitation attempt. Bids on the second solicitation were well above the programmed amount. This reprogramming request reflects the third attempt to award this project. The increase in cost results from a two-year execution delay (\$2.0 million) and volatility in the construction industry, especially with respect to material costs and the availability of specialty trade labor (\$2.5 million). The higher than expected bids also increase the contingency and supervision, inspection, and overhead (SIOH) costs (\$0.5 million).

Two Separate 10 USC 2853 cost variation notifications were submitted to Congress (October 30, 2017 and October 31, 2018).

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Kwajalein Atoll Replace Fuel Storage Tanks	2017	85,500	72,511 ^{1/}	2,045
Camp Lemonier, Djibouti Construct Fuel Storage Distribution System	2016	43,700	23,468 ^{2/}	2,955
Total				5,000

^{1/} A 10 USC 2853 cost variation notification was sent to Congress on October 26, 2017.

^{2/} A 10 USC 2853 cost variation notification was sent to Congress on November 4, 2016.

Bid Expiration Date: June 10, 2019

Military Construction, Defense-Wide (U.S. Special Operations Command)

Reprogramming Request

Installation: Kadena Air Base, Japan

Project: SOF Simulator Facility (MC-130)

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

Estimated Cost (\$000):

Previously Appropriated	12,602
Previously Reprogrammed	0
Requested Reprogramming	6,910
Total Estimated Cost	19,512

Project Description: Construct a weapons system trainer (WST) Simulator Facility to support the MC-130J model aircraft stationed at Kadena Air Base. Facility consists of full motion WST, classrooms, briefing rooms, library, software preparation room, data base generation room and administration. Project includes utilities, pavements, site improvements, communications and all other necessary support.

Justification: An additional \$6.9 million is required to award this project at full scope to meet mission requirements. The cost increase is due to the magnitude of U.S. and Government of Japan (GOJ) construction at Kadena Air Base as well as privately funded construction on Okinawa and mainland Japan. The local construction market has seen increased labor rates and reduced contractor availability resulting in a limited number of prime and subcontractor firms available or willing to perform work at Kadena.

Specifically, the significant level of U.S.-funded military projects in the area (including DoDEA schools, family housing projects, and operational and training facilities), combined with the ongoing Olympic development efforts at Tokyo (e.g., Kengo Kuma Tokyo Olympic Stadium, \$1.3 billion), response to natural disasters and the major public-private infrastructure initiatives (e.g., Shinagawa Station Redevelopment, \$4.9 billion) throughout the prefectures of Japan, has resulted in a lack of contractors to do the work. The impact of these market conditions was not fully considered when this project was programmed.

A 10 USC 2853 notification was submitted to Congress on March 5, 2019.

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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Cannon AFB, NM SOF C-130 AGE Facility	2018	8,228	6,501	1,726
Naval Base Coronado, CA SOF Seal Team Operations Facility	2018	50,265	41,238	5,184
Total				6,910