



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

COMPTROLLER

AUG 14 2019

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 is enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
	<u>Army</u>			
1	Yakima Training Center, Washington	Fire Station	2018	4,000,000
	<u>Air Force</u>			
2	Joint Base San Antonio - Lackland, Texas	BMT Recruit Dormitory 6	2017	22,700,000
	<u>Defense Logistics Agency</u>			
3	Red River Army Depot, Texas	Construct Warehouse and Open Storage	2017	13,282,000

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  
Acting

Enclosures:  
As stated

cc:  
The Honorable John R. Carter  
Ranking Member





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

AUG 14 2019

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,

Elaine McCusker  
Acting

Enclosures:  
As stated

cc:  
The Honorable Brian Schatz  
Ranking Member



Bid Expiration Date: October 11, 2019

Military Construction, Army

Reprogramming Request

Installation: Yakima Training Center, WA

Project: Fire Station

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

Estimated Cost (\$000):

Previously Appropriated	19,500
Previously Reprogrammed	0
Requested Reprogramming	4,000
Total Estimated Cost	23,500

Project Description: This project is to construct a 1-story two company headquarters fire station with three additional structural apparatus bays. If this facility is not provided, the fire department will continue to operate with administrative personnel working in facilities separated from the fire station. This can impact the fire departments required emergency response times to remote areas of the installation which places lives, property and resources at greater risk.

Justification: At the 95% design review the Current Working Estimate (CWE) was found to exceed the Programmed Amount (PA). The design team identified cost reduction measures that did not impact the Fire Station's operational requirements. However, even after the reductions were applied, the proposals received all exceeded the PA. Several factors contribute to this. Washington State is experiencing a construction boom leading to construction material and labor cost increasing at a rate that exceeded the projected escalation at the time the project was programmed. With all of the ongoing construction, skilled laborers are also in short supply. Another area of cost increase is related to the risk that the contractors add to their proposals when the acceptance period has to remain open for an extended period of time.

A 10 U.S.C. §2853 cost notification dated June 5, 2019 was submitted to the Congressional committees.

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>
Grafenwoehr Training Area, GY Vehicle Maintenance Shop	2016	51.000	46.752	4.000
Total				4.000

Bid Expiration Date: September 20, 2019

Military Construction, Air Force

Reprogramming Request

Installation: Joint Base San Antonio (JBSA) - Lackland, TX

Project: BMT Recruit Dormitory 6

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017, Public Law (Pub. L.) 114-328; NDAA for FY 2019, Pub. L. 115-232

Estimated Cost (\$000):

Previously Appropriated	92,300
Previously Reprogrammed	0
Requested Reprogramming	22,700
Total Estimated Cost	115,000

Project Description: This project provides the sixth of eight Basic Military Training dormitory buildings in the Recruit Housing & Training replacement program. It will provide dormitory and administrative spaces, drill pad, running track, exercises areas, war skills training areas, weapons cleaning pavilion, storage, and latrines.

Justification: Due to extremely active construction environment in the greater San Antonio area, this project has received significantly higher bids than the budgeted amount. Contractors are raising construction prices amid tight labor market conditions and cost of materials like steel, iron, and concrete have also been increasing. In the past year, the construction industry added employees at more than double the pace of the overall economy. The overall US unemployment rate for job seekers with construction experience in January 2019 was 6.4 percent, down from 7.3 percent in January 2018. Pay increases for construction workers have also outpaced those in the overall economy.

A 10 U.S.C. §2853 cost notification dated June 18, 2019 was submitted to the Congressional committees.

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>
JBSA - Lackland, TX BMT Recruit Dormitory 7	2018	90,130	0 <sup>1/</sup>	22,700
Total				22,700

<sup>1/</sup> A 10 U.S.C. §2853 cancellation notification letter dated September 27, 2018 was sent to Congress.

Bid Expiration Date: November 15, 2019

Military Construction, Defense-Wide (Defense Logistics Agency)

Reprogramming Request

Installation: Red River Army Depot, TX

Project: Construct Warehouse and Open Storage

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

Estimated Cost (\$000):

Previously Appropriated	44,700
Previously Reprogrammed	0
Requested Reprogramming	13,282
Total Estimated Cost	57,982

Project Description: This project constructs a general purpose warehouse and four open storage areas. The warehouse includes loading/unloading docks, an administrative area, locker rooms, an employee lunch/break room, and utility annex. The open storage areas include gravel storage lots with curbing, lighting, fencing, gates, storm drainage, fire hydrants, and piping, and related site improvements.

Justification: An additional \$13.3 million is needed to complete construction on the open storage areas. Funds are specifically needed to address:

1. Market Conditions and Increased Labor Costs (\$8.017 million): Contractors are choosing commercial work over Federal projects whose requirements are less restrictive. The current competitive environment is also limiting resources in a strained labor market that has a shortage of local labor due to its remote location.
2. Increased Site Work and Material Costs (\$3.889 million): There is a lack of locally available gravel that meets the project specifications. Gravel with the necessary size and gradation characteristics are limited and require hauling from outside of the local area. Additionally, expansive clay soils have contributed to site work delays and increased costs.
3. Contingency and Supervision, Inspection, and Overhead (SIOH) (\$1.376 million): Increases are associated with higher construction costs.

A 10 USC §2853 notification dated December 4, 2018 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>
Sasebo, JA Upgrade Fuel Wharf	2018	45,600	37,600	1,382
Okinawa, JA Replace Mooring System	2018	11,900	0 <sup>1/</sup>	11,900
Total				13,282

<sup>1/</sup> A 10 U.S.C. §2853 cancellation notification letter dated November 6, 2018 was sent to Congress.