



UNDER SECRETARY OF DEFENSE

1 100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1 100

COMPTROLLER

DEC 18 2024

The Honorable John Carter  
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 request committee approval of the proposed reprogramming of funds for the projects and amounts shown below. Detailed justifications for the projects are enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
1	Navy, Naval Base Kitsap (Bangor), Washington	Child Development Center Replacement	2020	22,604,000
2	Navy, Marine Corps Air Station, Yuma, Arizona	Combat Training Tank Complex	2022	21,000,000
3	Air Force, Joint Base Langley-Eustis, Virginia	Access Control Point Main Gate With Land Acquisition	2021	7,038,000
4	Air Force, Ellsworth Air Force Base, South Dakota	B-21 Formal training Unit/AMU	2022	4,229,000
5	Air Force, Arnold Air Force Base, Tennessee	ARC Heater Test Facility, Dragon Fire	2023	7,441,000
6	Defense Health Agency, Rhine Ordnance Barracks, Germany	Medical Center Replacement	2013	8,900,000
7	Defense Health Agency, Joint Base San Antonio (Lackland), Texas	Ambulatory Care Center, Phase 4	2016	23,000,000

A similar letter is being sent to the Chair 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 Debbie Wasserman Schultz  
Ranking Member



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UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

DEC 18 2024

The Honorable Kyrsten Sinema  
Chair  
Subcommittee on Military Construction,  
Veterans Affairs, and Related Agencies  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

Dear Madam Chair:

The purpose of this letter is to request committee approval of the proposed reprogramming of funds for the projects and amounts shown below. Detailed justifications for the projects are enclosed.

#	<u>Service/Agency/Installation</u>	<u>Project</u>	<u>Program</u>	<u>Request (\$)</u>
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7	Defense Health Agency, Joint Base San Antonio (Lackland), Texas	Ambulatory Care Center, Phase 4	2016	23,000,000

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.

Michael McCord

Enclosures: As stated

cc:

The Honorable John Boozman  
Ranking Member

Requested Date of Congressional Approval: January 31, 2025

Military Construction, Navy and Marine Corps

Reprogramming Request

Installation: Naval Base Kitsap (Bangor), Washington  
Project: Child Development Center Replacement  
Authorization: William M. (Mac) Thornberry National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2021, Public Law (P.L.) 116-283

Estimated Cost (\$000):

Previously Appropriated	32,200
Previously Reprogrammed	0
Requested Reprogramming	22,604
Total Estimated Cost	54,804

Project Description: Constructs a large-size child development center (CDC) and adjacent playground area with outdoor storage buildings at Naval Base Kitsap (Bangor). This project will also construct a small-size CDC and adjacent playground area with outdoor storage buildings at the Jackson Park family housing area. The project also includes the demolition of Building 2902 and the removal of five mobile learning centers.

Justification: The NDAA for FY 2020 authorized additional projects for military construction of child development centers at military installations. These authorizations were subject to the Navy's report to Congress identifying each project proposed to be carried out. Subsequent appropriations for child development center construction totaling \$32.2 million were enacted in the FY 2021 Consolidated Appropriations Act. The Navy elected to use the FY 2020 authorization and FY 2021 appropriation in support of construction of child development centers at Naval Base Kitsap (Bangor), as communicated in the Navy's expenditure plan to Congress in January 2021.

The large-size CDC at Naval Submarine Base Bangor was awarded at \$31,864,467 on May 7, 2024. Bids are currently in-hand for procurement of the small-sized CDC at Jackson Park as an option to the base contract, with award pending approval of this reprogramming request.

At the time the CDC at Jackson Park was authorized the design had not started, basic facility requirements had not been finalized resulting in unvalidated scope. The DoN commenced design on the project in February 2021 and completed a validated cost estimate in March 2023.

A 10 U.S.C. §2853 cost variation notification dated November 6, 2024, was submitted to the congressional committees.

Source of Funds: Savings from the following projects are 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Point Loma, CA Child Development Center	2023	56,450	40,375 <sup>1/</sup>	10,075
Pearl Harbor, HI Waterfront Improvements Wharves S8-S10	2021	51,773 <sup>2/</sup>	43,871 <sup>3/</sup>	7,902
Pearl Harbor, HI Waterfront Improve, Wharves S11-13, S20-21	2021	36,476 <sup>4/</sup>	33,070 <sup>5/</sup>	3,406
Ventura County Pt Mugu, CA Directed Energy Weapons Test Facility	2022	719 <sup>6/</sup>	0 <sup>7/</sup>	719
San Diego, CA Floating Dry Dock Mooring Facility	2023	132,700	130,700	502
<b>Total</b>				<b>22,604</b>

<sup>1/</sup> A 10 U.S.C. §2853 cost reduction notification dated June 13, 2024 was submitted to the congressional committees.

<sup>2/</sup> Reflects a revised PA of \$51.773 million as a result of a \$9.500 million reprogramming decrease approved by Congress in April 2023 and a \$4.637 million reprogramming decrease approved by Congress in August 2024.

<sup>3/</sup> A 10 U.S.C. §2853 cost reduction notification dated September 9, 2022 was submitted to the congressional committees.

<sup>4/</sup> Reflects a revised PA of \$36.476 million as a result of a \$0.440 million reprogramming decrease approved by Congress in August 2023, a \$4.875 million reprogramming decrease approved by Congress in April 2024, and a \$7.199 million reprogramming decrease approved by Congress in August 2024.

<sup>5/</sup> A 10 U.S.C. §2853 cost reduction notification dated September 9, 2022 was submitted to the congressional committees.

<sup>6/</sup> Reflects a revised PA of \$0.719 million as a result of a \$12.850 million reprogramming decrease approved by Congress in August 2023 and a \$6.338 million reprogramming decrease approved by Congress in August 2024.

<sup>7/</sup> A 10 U.S.C. §2853 cancellation notification dated June 15, 2023 was submitted to the congressional committees.

Requested Date of Congressional Approval: January 31, 2025

Military Construction, Navy and Marine Corps

Reprogramming Request

Installation: Marine Corps Air Station, Yuma, Arizona

Project: Combat Training Tank Complex

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2022,  
Public Law (P.L.) 117-81

Estimated Cost (\$000):

Previously Appropriated	29,300
Previously Reprogrammed	0
Requested Reprogramming	21,000
Total Estimated Cost	50,300

Project Description: Constructs a low-rise reinforced concrete indoor combat training tank with diving tower, non-slip concrete pool deck and ancillary training access/walkout stairs inside a low-rise single-story applied instruction building. The applied instruction building includes classroom, administration and lifeguard offices, equipment storage, locker/shower/toilet, medical room and utility/mechanical support areas for the tank.

Justification: The budget submission cost estimate did not account for significant increases in labor costs and a shortage of qualified workers in the relatively isolated location of Yuma, Arizona at the time of contract solicitation. The locality experienced a six percent decrease in unemployment within the last quarter of 2023. With Arizona's low unemployment rate of 3.3 percent, below the national average of 4.1 percent, a wage premium was required to attract additional workers needed for the project. Additionally, the construction sector wage growth in the state has contributed to higher than anticipated construction costs.

The budget submission cost estimate did not adequately account for significant increases in material pricing and inflation across all major construction commodities due to material shortages, supply chain delays, transportation cost increases, increased demand for building materials, and lingering impacts of the COVID-19 pandemic. Supply chain and labor market constraints led to cost growth exceeding 20 percent nationally from 2021 to 2022 with extensive price increases in concrete, steel, and diesel fuel. Long lead times for essential mechanical equipment like HVAC systems, pump systems, and pool equipment have increased costs and delivery schedules. Additionally, material and equipment costs were further increased to expedite manufacturing and delivery to meet required project schedules.

The budget submission cost estimate did not account for the increased construction demand in the Yuma, Arizona area which has remained high for the last three fiscal years due to a series of municipal capital improvement programs that include a 2024 budget of over \$200 million. Elevated demand continues to place a premium on skilled labor throughout Arizona leading to a greater reliance on non-local contractors and higher costs.

A 10 U.S.C. §2853 cost variation notification dated November 6, 2024, was submitted to the Congressional committees.

Source of Funds: Savings from the following projects are 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 Working Estimate</u>	<u>Proposed Reprogramming</u>
Camp Pendleton, CA 1 <sup>st</sup> MARDIV Operations Complex	2021	68,530	50,495 <sup>1/</sup>	15,474
Twentynine Palms Range Simulation Training & Operations Facility	2023	120,382	102,920	5,526
Total				21,000

<sup>1/</sup> A 10 U.S.C. §2853 cost reduction notification dated September 15, 2022 was submitted to the Congressional committees.

Requested Date of Congressional Action: January 10, 2025

Military Construction, Air Force

Reprogramming Request

Installation: Joint Base Langley-Eustis, Virginia

Project: Access Control Point Main Gate with Land Acquisition

Authorization: William M. (Mac) Thornberry National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2021, Public Law (P.L.) 116-283

Estimated Cost (\$000):

Previously Appropriated	19,500
Previously Reprogrammed	0
Requested Reprogramming	7,038
Total Estimated Cost	26,538

Project Description: This project consists of the demolition and removal of existing gate houses, canopy, visitor center, concrete islands, pavement, concrete curb and gutter, and fence line. Construction consists of new pavement and road realignment, including necessary land acquisition, concrete curbing, concrete and grass medians, roadway lighting, new backup generator, passive barriers, gate house, concrete identification check islands with canopy and ballistic rated guard booths, visitor control center and commercial and privately owned vehicle inspection building.

Justification: The project cost increase is due to market conditions, a competitive construction contract bidding environment, and delay in negotiating the land acquisition. Construction for government projects in the Norfolk, Hampton and Newport News, Virginia regional area is competing with an extremely robust market in private industry. Prime contractors and subcontractors are less interested in bidding on military projects than private industry construction work, which is plentiful and readily available. The land acquisition negotiation took nearly two years, which led to an increase in the final cost.

A 10 U.S.C. §2853 cost variation notification dated October 31, 2024, was submitted to the congressional committees.



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>
Tinker AFB, KC-46A Corrosion Control Hangar	2023	114,000	0 <sup>1/</sup>	7,038
Total:				7,038

<sup>1/</sup>A 10 USC 2853 cancellation notification dated August 14, 2024 was submitted to the congressional committees.

Requested Date of Congressional Action: January 10, 2025

Military Construction, Air Force

Reprogramming Request

Installation: Ellsworth Air Force Base, South Dakota

Project: B-21 Formal Training Unit/AMU

Authorization: National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2022,  
Public Law (P.L.) 117-81

Estimated Cost (\$000):

Previously Appropriated	73,086
Previously Reprogrammed	2,355 <sup>1/</sup>
Requested Reprogramming	4,229
Total Estimated Cost	79,670

<sup>1/</sup> Below Threshold Reprogramming actions in September 2023 and May 2024.

Project Description: This project constructs a formal training unit/aircraft maintenance unit facility. Construction includes a two story, steel framed structure, concrete slab and foundation system, masonry block exterior walls, and standing seam metal roof. The existing road and parking lot on the proposed site will be removed and replaced as needed to provide space for proper siting of the building and new parking.

Justification: The project cost increase results from changes to enclose structural columns and additional light gauge steel to support moveable partitions and various user requested changes, such as the installation of sound attenuators not anticipated prior to authorization.

A 10 U.S.C. §2853 cost variation notification is not required for this reprogramming action.

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>
Kirtland AFB, NM, Combat Rescue Helicopter Simulator, ADAL	2021	33,890	0 <sup>1/</sup>	4,229
Total:				4,229

<sup>1/</sup> A 10 U.S.C. §2853 cancellation notification was submitted to the congressional committees on July 31, 2024.

Requested Date of Congressional Action: January 10, 2025

Military Construction, Air Force

Reprogramming Request

Installation: Arnold Air Force Base, Tennessee

Project: Arc Heater Test Facility, Dragon Fire

Authorization: James M. Inhofe National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2023, Public Law 117 – 263

Estimated Cost (\$000):

Previously Appropriated	46,000
Previously Reprogrammed	0
Requested Reprogramming	7,441
Total Estimated Cost	53,441

Project Description: This project constructs a new Test Facility Complex comprising operations support buildings/structures to facilitate high-tempo test operations for the development and qualification of thermal protection systems and materials for hypersonic missiles, reentry vehicles, space access systems, and planetary reentry.

Justification: The cost increase is primarily due to material pricing and inflation across all major construction commodities due to material shortages, supply chain delays, transportation cost increases, increased demand for building materials, and lingering impacts of the COVID-19 pandemic. Supply chain and labor market constraints led to cost growth exceeding 20 percent nationally from 2021 to 2022 with extensive price increases in concrete, steel, and diesel fuel. Long lead times for essential mechanical equipment like HVAC systems, pump systems, and pool equipment have increased costs and delivery schedules. Additionally, material and equipment costs were further increased to expedite manufacturing and delivery to meet required project schedules. These factors, along with a surging demand for construction in the region resulting from natural disaster recovery efforts in the area, contributed to the cost increase for this project.

A 10 U.S.C. §2853 cost variation notification is not required for this reprogramming action.

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>
Tinker AFB, KC-46 Corrosion Control Hangar	2023	114,000	0 <sup>1/</sup>	7,441
Total:				7,441

<sup>1/</sup> A 10 U.S.C. §2853 cancellation notification dated August 14, 2024, was submitted to the congressional committees.

Requested Date of Congressional Action: January 31, 2025

Military Construction, Defense-Wide (Defense Health Agency)

Reprogramming Request

Installation: Rhine Ordnance Barracks, Germany

Project: Medical Center Replacement

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

Estimated Cost (\$000):

Previously Appropriated	1,590,000
Previously Reprogrammed	0
Requested Reprogramming	8,900
Total Estimated Cost	1,598,900

Project Description: This project constructs a multi-story hospital replacement project that includes inpatient and outpatient health services, ancillary support spaces to include imaging, pharmacy, laboratory, radiology and nutrition; a central utility plant, water storage tank, an electrical sub-station, and an access control facility. Supporting facilities include utilities, site improvements, access roads, and parking.

Justification: The German government (Federal Republic of Germany - FRG) included an Economic Price Adjustment (EPA) clause in the General Contractor's contract. The EPA calculation uses the German Federal Statistics Bureau price index that is updated and published quarterly. The FRG reconciles annually with the General Contractor for the escalated cost of labor and materials from the November 2021 baseline. The price index drivers include:

- The ongoing war in Ukraine and the uncertain geopolitical/security environment in Europe are adversely impacting market conditions and inflation rates.
- Interrupted supply chains, logistics and shipping delays, increased costs for raw materials, longer lead times and scarcity of some materials, and higher fuel costs.
- Limited availability of labor and subcontractors for some trades.

The additional \$8.9 million is required to resource the projected Fiscal Year 2025 EPA requirement.

A 10 U.S.C. §2853 cost variation notification is not required for this reprogramming action.

Source of funds: Funds from the following project are available to fund this immediate requirement in FY 2025.

(Dollars in Thousands)

<u>Location/Project</u>	<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Current Working Estimate</u>	<u>Proposed Reprogramming</u>
Oak Harbor, WA Ambulatory Care Clinic	2022	59,000	0	8,900 <sup>//</sup>
Total:				8,900

<sup>//</sup> A 10 U.S.C. 2853 cancellation notification dated September 27, 2023, was submitted to Congress.

Requested Date of Congressional Action: January 31, 2025

Military Construction, Defense-Wide (Defense Health Agency)

Reprogramming Request

Installation: Joint Base San Antonio (Lackland AFB), Texas

Project: Ambulatory Care Center, Phase 4

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

Estimated Cost (\$000):

Previously Appropriated	96,776
Previous Reprogramming	2,065 <sup>1/</sup>
Requested Reprogramming	23,000
Total Estimated Cost	121,841

<sup>1/</sup> Below threshold reprogramming adjustments

Project Description: This project demolishes the existing Wilford Hall Medical Center and its associated ancillary facilities that no longer support the medical mission and restores the site to an appropriate condition for a new asphalt and concrete parking area to include utilities, site improvements, access roads, and parking.

Justification: During abatement of Asbestos Containing Materials (ACM) and Other Regulated Materials (ORM) specified in the construction contract, significant additional quantities of ACM / ORM were discovered. United States Army Corps of Engineers environmental personnel have verified the quantities and abatement methods. The increased costs associated with abatement and disposal of ACM / ORM material require an additional \$23 million to complete the project.

A 10 U.S.C. §2853 cost variation notification is not required for this reprogramming action.



Source of funds: Funds from the following projects are available to 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>
Oak Harbor, WA Ambulatory Care Clinic	2022	59,000	0	23,000 <sup>1/</sup>
Total:				23,000

<sup>1/</sup> 10 U.S.C. 2853 cancellation notification dated September 27, 2023, was submitted to Congress.