



Department of Defense INSTRUCTION

NUMBER 7700.18

December 15, 2004

USD(P&R)

SUBJECT: Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures

- References:
- (a) DoD Instruction 7700.18, "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures," July 16, 2003 (hereby canceled)
 - (b) DoD Directive 7700.20, "Commissary Surcharge, Nonappropriated Fund, and Privately Financed Construction Policy," September 3, 2004
 - (c) DoD Instruction 1015.13, "DoD Procedures for Implementing Public-Private Ventures (PPVs) for Morale, Welfare and Recreation (MWR), and Armed Services Exchange Category C Revenue-Generating Activities," March 11, 2004
 - (d) DoD Directive 5124.2, "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," October 31, 1994
 - (e) through (w), see enclosure 1

1. REISSUANCE AND PURPOSE

This Instruction reissues reference (a), implements policy, assigns responsibilities, and prescribes reporting procedures under reference (b) for commissary surcharge, nonappropriated fund (NAF), and privately financed construction and reporting of capital investment programs.

2. APPLICABILITY AND SCOPE

This Instruction:

- 2.1. Applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Defense

Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense (hereafter referred to collectively as "the DoD Components").

2.2. Does not apply to construction projects that are authorized and funded in the annual military construction authorization and appropriation acts to support the DoD Components.

3. DEFINITIONS

Terms used in this Instruction are defined in enclosure 2.

4. POLICY

It is DoD policy that:

4.1. Commissary surcharge, NAF, and privately financed construction programs shall be developed to enhance the comfort, pleasure, contentment, and mental and physical well being of authorized DoD personnel and their families.

4.2. Commissary surcharge, NAF, and privately financed construction projects shall not be placed under contract unless reviewed and approved in accordance with the requirements of this Instruction. General guidance for commissary surcharge, NAF, and privately financed construction programs is contained at enclosure 3.

5. PROCEDURES

5.1. The annual DoD Commissary Surcharge, NAF, and Privately Financed Construction Report shall contain the proposed construction programs of the DoD Components for the upcoming fiscal year and shall include the following information. Requests for policy waivers and supporting rationale shall also accompany the report.

5.1.1. An executive summary of the construction program, enclosure 4.

5.1.2. Proposed major construction projects for the next fiscal year (October 1 through September 30), to include privately financed banking facilities and projects financed from donations, that require the Under Secretary of Defense for Personnel and Readiness (USD(P&R)) approval, enclosure 5.

5.1.3. Minor projects approved since the previous annual report, enclosure 6.

5.1.4. Status of previously approved major construction projects, enclosure 7, to include:

5.1.4.1. Projects canceled since the previous annual report.

5.1.4.2. Projects that were not placed under contract within one fiscal year following the fiscal year of approval.

5.1.4.3. Projects that exceed the approved construction cost by more than 25 percent or change the approved scope by more than 10 percent. Previously reported minor construction projects with a construction cost that exceeds \$750,000, based on bids received or revised cost estimates.

5.1.4.4. Projects completed since the previous annual report.

5.1.5. A summary of military morale, welfare, and recreation (MWR) (including child development, libraries, and physical fitness), civilian MWR, exchange, commissary and lodging construction projects submitted in the President's Budget Request for Military Construction appropriations, enclosure 8.

5.1.6. A summary listing of proposed Public-Private Venture (PPV) projects anticipated for contract award in the upcoming fiscal year, enclosure 9.

5.2. Commissary surcharge fund capital asset obligations and NAF and privately financed expenditures for tangible fixed assets shall be summarized and reported to the USD(P&R), as required in enclosure 10.

5.3. Notification to the Congress of intent to award PPV contracts that result in major construction projects is required. DoD Instruction 1015.13 (reference (c)) provides the procedures for executing PPV projects. Supporting documentation is specified at enclosure 11.

6. RESPONSIBILITIES

6.1. The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) shall:

6.1.1. Comply with the responsibilities delineated in DoD Directive 5124.2 and 10 U.S.C. 136 (references (d) and (e)).

6.1.2. Serve as the principal staff assistant and advisor to the Secretary and Deputy Secretary of Defense for total force management as it relates to readiness, to include quality of life, MWR, exchange, commissary, and NAF activities.

6.1.3. Prescribe commissary surcharge, NAF, and privately financed construction policy and reporting procedures and approve those programs.

6.2. The Heads of the DoD Components shall issue policies and procedures to implement this Instruction.

6.3. The Directors of MWR, Commanders of Armed Service Exchanges, and the Installation Commanders shall be subordinate to the Military Department concerned for purposes of compliance with DoD Directives and DoD Instructions as implemented by the regulations of that Department.

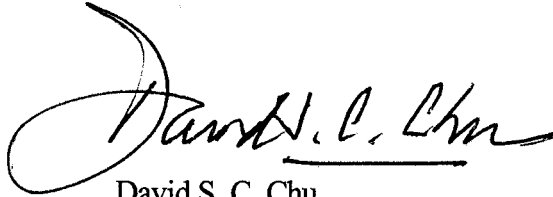
7. INFORMATION REQUIREMENTS

7.1. The annual report shall be submitted by May 15th of each year to the USD(P&R) for approval and congressional notification. The report shall be submitted in hard copy and on a formatted 3.5-inch floppy disk or CD ROM in Microsoft Word and Excel formats. The Report Control Symbol is DD-P&R(A)1167 in accordance with DoD 8910.1-M (reference (f)).

7.2. The project certification required by enclosure 5, paragraph E5.2.2. is exempt from licensing in accordance with paragraph C4.4.2. of reference (f).

8. EFFECTIVE DATE

This Instruction is effective immediately.

A handwritten signature in black ink, appearing to read "David S. C. Chu". The signature is fluid and cursive, with a large loop at the beginning and a horizontal line underlining the name.

David S. C. Chu
Under Secretary of Defense
(Personnel and Readiness)

Enclosures - 11

- E1. References, continued
- E2. Definitions
- E3. Guidance
- E4. Executive Summary
- E5. Major Construction Reporting Requirements
- E6. Minor Construction Reporting Requirements
- E7. Status of Previously Approved Projects
- E8. Military Construction Appropriation (MILCON) Program
- E9. Proposed Public-Private Venture (PPV) Program Summary Data
- E10. Capital Investment Programs
- E11. Notification to the Congress of Intent to Award PPV Construction Projects

E3.1.4.7. Facilities shall be sited for patron convenience and in conformance with the approved installation master plan. Construction projects proposed on sites within the National Capital Region, as defined in section 71 of 40 U.S.C. (reference (p)), shall be provided for review to the National Capital Planning Commission and when applicable, as defined in section 104 of 40 U.S.C. (reference (q)), to the Commission of Fine Arts.

E3.1.4.8. The installation commander shall notify the local business community of Category C revenue-generating projects proposed for construction in the 50 United States and the District of Columbia. Notification of the planned business activity may be made by public notice or by letter to organizations representing local business (i.e., Chamber of Commerce). Documentation (such as letters to the Chamber of Commerce or replies from the community) is not required for the submission, but should be retained.

E3.1.4.9. The DoD official responsible for the construction program and the Installation Commander shall certify that individual major construction projects conform to the requirements contained herein and as specified in enclosure 5, paragraph E5.2.2.

E3.1.5. The DoD Components shall ensure that resources are planned, programmed, and budgeted to execute construction programs using proper funding sources as specified in DoD Directive 1015.14 (reference (r)).

E3.1.5.1. In accordance with reference (i), and Volume 2B, Chapter 10 of reference (g), NAF and commissary surcharge construction shall be accomplished as an integral component of the capital budgeting process.

E3.1.5.2. PPV contracts shall be considered for NAF Category C projects with cost in excess of \$1,000,000. Notice of intent to award contracts for PPV agreements may be submitted to the USD(P&R) throughout the year for approval and congressional notification. If the Congress does not express views in opposition to the project within 2 weeks, the USD(P&R) may approve the contract for award. Procedures are contained in reference (c).

E3.1.5.3. Construction projects financed from donations are subject to USD(P&R) review and reporting to the Congress. Policy governing the acceptance of donations is contained in Volume 12, Chapter 13 of reference (g).

E3.1.5.4. Construction projects for privately financed banking facilities shall be submitted for USD(P&R) review and reporting to the Congress in accordance with