



ENERGY, INSTALLATIONS,
AND ENVIRONMENT

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3400 DEFENSE PENTAGON
WASHINGTON, DC 20301-3400

April 14, 2022

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS,
ENERGY, AND ENVIRONMENT)
ASSISTANT SECRETARY OF THE NAVY (ENERGY,
INSTALLATIONS, AND ENVIRONMENT)
ASSISTANT SECRETARY OF THE AIR FORCE
(INSTALLATIONS, ENVIRONMENT, AND ENERGY)
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Military Construction Supervision, Inspection, and Overhead Fixed Rates for Fiscal
Year 2024 and Future Projects

In accordance with section 2851 of title 10, United States Code (U.S.C.), the U.S. Army Corps of Engineers (USACE) and the Naval Facilities Engineering Systems Command (NAVFAC) are the Department's designated construction agents (DCAs) responsible for overseeing all military construction and military family housing project contracts. As project-funded organizations, section 2205 of title 10, U.S.C., authorizes USACE and NAVFAC to charge a fixed rate for reimbursement of the costs of providing contract supervision, inspection, and overhead (SIOH). The reimbursement is derived from a fixed rate percentage of construction placement on projects. The current SIOH rates applied to military construction and military family housing projects were last adjusted in 1996 and are insufficient to provide adequate and sustainable "boots on the ground" project oversight necessary for timely delivery of quality military real property.

Adjusting the SIOH rates is expected to provide additional and higher quality construction oversight through improved cost and schedule growth avoidance and sustainment of the depth and breadth of technically competent personnel. The Deputy Assistant Secretary of Defense for Construction (DASD(Construction)) has worked with the DCAs, the Office of the Under Secretary of Defense for Comptroller (OUSD(Comptroller)), and the Office of Management and Budget (OMB) to arrive at the adjusted rates, timing for release, and requirement for review of the rates provided below, and socialized the same with congressional staff.

For military construction and military family housing projects authorized in Fiscal Year 2024 or later, and resourced with military construction or military family housing appropriations, the DCA SIOH rates used by USACE and NAVFAC will be as follows: the Continental United States (CONUS) rate will be 6.5 percent, and the Outside the Continental United States (OCONUS) rate will be 7.3 percent. Hawaii, Alaska, and the Territories of the United States are included in the OCONUS rate. A new rate is established for remotely located OCONUS projects at 9.0 percent. A remote location for the purposes of this memorandum exhibits one or more of the following factors:

- No current U.S. diplomatic relations
- No established Host Nation implementing arrangements for construction, taxation, and country agreements
- DoD Construction Agent is NOT able to obtain Embassy sponsorship
- Current civil unrest, extenuating security situations (e.g., requires additional force protection measures)
- No existing DCA presence or no enduring requirement for a permanent DCA presence near project site
- Cost of construction is significantly lower than typical OCONUS locations thereby generating less reimbursement than necessary to cover the required costs
- Requires unaccompanied tours or extended temporary duty for DCA staff

USACE and NAVFAC are authorized to provide implementing guidance.

My office will assess these rates a minimum of every three years and any requests for future adjustments, to include supporting analysis, must be provided by USACE and NAVFAC to both DASD(Construction) and OUSD(Comptroller).

Project Sponsors and DCAs may enter into an agreement to use a project specific SIOH rate based on the characteristics of the project. The use of the remote or project specific SIOH rates will require a justification to be included in the budget submission to OSD.

My point of contact for this matter is Mr. Seth Cutler, Office of the DASD(Construction), at 703-571-9062 or seth.w.cutler.civ@mail.mil. Thank you for your support of our facilities and installations.

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Michael McAndrew
Deputy Assistant Secretary of Defense for Construction
Performing the Duties of Principal Deputy Assistant
Secretary of Defense for Energy, Installations,
and Environment

cc:

Commander, United States Army Corps of Engineers
Commander, Naval Facilities Engineering Systems Command
Commander, Air Force Civil Engineer Center