DEFENSE INFRASTRUCTURE

Action Needed to Increase the Reliability of Construction Cost Estimates

Why GAO Did This Study

Between fiscal years 2005 and 2016, Congress annually appropriated between $2.5 to $9.6 billion in MILCON funding for the active component of the U.S. military to use for projects worldwide. Reliable project construction cost estimates are of great importance, since those estimates drive these appropriations.

This report examines the extent to which (1) the active component obligated and expended the MILCON appropriations received during fiscal years 2005-2016, (2) the active component reprogrammed MILCON appropriations during fiscal years 2010 through 2016, and (3) DOD’s MILCON cost estimates are reliable for selected projects.

What GAO Found

During fiscal years 2005 through 2016, Congress appropriated about $66 billion in military construction funds (MILCON) to the active duty Army, Navy, and Air Force (referred to as the active component) for projects. As of September 30, 2016, the active component had obligated all but about $5.1 billion and expended all but about $11 billion of those funds. Of the $5.1 billion remaining unobligated, about $4.6 billion was still available to be obligated because MILCON appropriations are generally available for new obligations for 5 years. According to Department of Defense (DOD) officials, available but unobligated amounts no longer needed may be either taken back by Congress or reprogrammed to other MILCON projects that the active component identifies as needing additional funding.

During fiscal years 2010 through 2016, the active component reprogrammed about $1.6 billion in MILCON appropriations to fund emergency projects, projects that were authorized but did not receive specific appropriations, and projects needing additional funding. Of this amount, the Army reprogrammed about $789 million; the Navy, about $535 million; and the Air Force, about $295 million.

DOD’s guidance does not fully incorporate the steps needed for developing reliable estimates and the estimates for three projects that GAO reviewed were not reliable. Specifically, two of the three high-value projects GAO examined experienced a more than 30-percent increase from the initial cost estimates submitted to Congress. GAO determined that DOD cost estimators did not follow all the best practices associated with the four characteristics—comprehensive, well-documented, accurate, and credible—of a reliable estimate for these projects.

What GAO Recommends

GAO recommends that DOD ensure that its cost estimating guidance fully incorporate the steps needed for developing reliable cost estimates. DOD partially concurred with GAO’s recommendation and stated that it will issue revised cost guidance in fiscal year 2019 that more fully incorporates those steps that would benefit the military construction program.

View GAO-18-101. For more information, contact Brian J. Lepore at (202) 512-4523 or leporeb@gao.gov.