



Department of Defense

INSTRUCTION

NUMBER 7700.20

November 10, 2005

USD(P&R)

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

- References:
- (a) DoD Directive 7700.20, "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Policy," September 3, 2004 (hereby canceled)
 - (b) Deputy Secretary of Defense Memorandum, "DoD Directives – Phase II," July 13, 2005
 - (c) DoD Directive 1330.17, "Military Commissaries," March 13, 1987
 - (d) DoD Directive 1015.14, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," July 16, 2003
 - (e) through (i), see enclosure 1

1. REISSUANCE PURPOSE

This Instruction:

- 1.1. Reissues reference (a) as a DoD Instruction according to the guidance in reference (b).
- 1.2. Develops policies according to references (c) and (d) and assigns responsibilities for commissary surcharge, nonappropriated fund (NAF), and privately financed construction and reporting of capital investment programs.

2. APPLICABILITY

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 Office of the Inspector General of the Department of Defense, 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 commissary surcharge, NAF, and privately financed construction programs:

4.1. Shall be developed to enhance the comfort, pleasure, contentment, and mental and physical well being of authorized DoD personnel and their families.

4.2. Shall not be placed under contract unless reviewed, approved, and reported in accordance with the requirements of DoD Instruction 7700.18 (reference (e)).

5. RESPONSIBILITIES

5.1. According to DoD Directive 5124.2 and Section 136 of title 10, United States Code (U.S.C.) (references (f) and (g)), the Under Secretary of Defense for Personnel and Readiness (USD(P&R)), is the principal staff assistant and advisor to the Deputy and Secretary of Defense for NAF policy; DoD military and civilian morale, welfare, and recreation programs, military exchange services, lodging funds, and other authorized NAF instrumentalities; and the Defense Commissary Agency. In discharging this responsibility, the USD(P&R) shall prescribe the commissary surcharge, NAF, and privately financed construction policy and approve those programs.

5.2. The Heads of the DoD Components shall develop procedures to implement this Instruction and approve commissary surcharge, NAF, and privately financed construction projects with a construction cost of up to \$750,000.

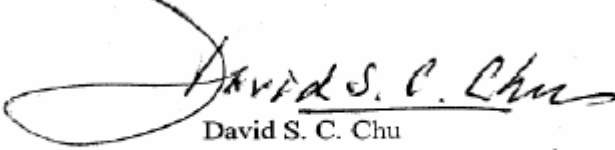
6. INFORMATION REQUIREMENTS

6.1. The reporting of commissary surcharge, NAF, and privately financed projects data, required by paragraph 4.2., has been assigned Report Control Symbol DD-P&R(A)1167 according to DoD 8910.1-M (reference (h)).

6.2. The project certification required by reference (e) is exempt from licensing in accordance with paragraph C4.4.2. of reference (h).

7. EFFECTIVE DATE

This Instruction is effective immediately.



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

Enclosures - 2

- E1. References, continued
- E2. Definitions

E1. ENCLOSURE 1
REFERENCES, continued

- (e) DoD Instruction 7700.18, "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures," December 15, 2004
- (f) DoD Directive 5124.2, "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," October 31, 1994
- (g) Section 136 of title 10, United States Code
- (h) DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," June 30, 1998
- (i) Section 2685 of title 10, United States Code

E2. ENCLOSURE 2

DEFINITIONS

E2.1.1. Commissary Surcharge Funds. According to 10 U.S.C. 2685 (reference (i)), funds originating from the adjustment of sales prices of goods and services sold in commissary store facilities. These funds shall be used only to acquire (including acquisition by lease), construct, convert, expand, improve, repair, maintain, and equip the physical infrastructure of commissary stores and central product processing facilities of the defense commissary system; and to cover environmental evaluation and construction costs, including surveys, administration, overhead, planning, and design, related to activities described in this definition. The term physical infrastructure includes real property, utilities, and equipment (installed and free standing and including computer equipment), necessary to provide a complete and usable commissary store or central product processing facility.

E2.1.2. Construction Cost. The direct cost for labor, material, installed equipment integral to the facility, supervision, inspection and overhead, and profit required to construct a facility. It includes design costs when part of a Design/Build construction contract. It does not include design costs prior to construction contract award or the cost of collateral equipment.

E2.1.3. Nonappropriated Funds (NAF). See reference (d).

E2.1.4. Privately Financed. Funding provided from a non-Federal entity. May include public private ventures, donations, private funds, and commercial borrowing.