



Department of Defense DIRECTIVE

NUMBER 7700.20

July 16, 2003

Certified Current as of November 21, 2003

USD(P&R)

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

- References:
- (a) [DoD Directive 1330.17](#), "Military Commissaries," March 13, 1987
 - (b) [DoD Directive 1015.1](#), "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities," August 19, 1981
 - (c) [DoD Instruction 7700.18](#), "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures," July 16, 2003
 - (d) [DoD Directive 5124.2](#), "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," October 31, 1994
 - (e) through (g), see enclosure 1

1. PURPOSE

Pursuant to references (a) and (b), this Directive establishes policy and assigns responsibilities for commissary surcharge, nonappropriated fund (NAF), and privately financed construction and reporting of capital investment programs.

2. APPLICABILITY

This Directive:

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 DoD Components.

3. DEFINITIONS

Terms used in this Directive 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, approved, and reported in accordance with the requirements of DoD Instruction 7700.18, reference (c).

5. RESPONSIBILITIES

5.1. Pursuant to DoD Directive 5124.2 (reference (d)) and 10 U.S.C. 136 (reference (e)), the Under Secretary of Defense for Personnel and Readiness (USD(P&R)), is the principal staff assistant and advisor to the Secretary and Deputy 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 commissary surcharge, NAF, and privately financed construction policy and approve those programs.

5.2. The Heads of the DoD Components shall issue policies and procedures to implement this Directive and shall approve commissary surcharge, NAF, and privately financed construction projects with a construction cost of up to \$500,000.

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 in accordance with DoD 8910.1-M (reference (f)).

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

7. EFFECTIVE DATE

This Directive is effective immediately.



Paul Wolfowitz
Deputy Secretary of Defense

Enclosures - 2

- E1. References, continued
- E2. Definitions

E1. ENCLOSURE 1

REFERENCES, continued

- (e) Section 136 of title 10, United States Code
- (f) [DoD 8910.1-M](#), "DoD Procedures for Management of Information Requirements,"
June 30, 1998
- (g) Section 2685(d) of title 10, United States Code

E2. ENCLOSURE 2

DEFINITIONS

E2.1.1. Commissary Surcharge Funds. In accordance with section 2685(d) of 10 U.S.C. (reference (g)), 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 in order 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. Monies derived from sources other than congressional appropriations and commissary surcharge funds, primarily from the sale of goods and services to DoD military and civilian personnel and their family members.

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