

Pentagon Directs Services to Convert Lodging Facilities to NAF

All Expenses to Be Paid by Nightly Rate Fees

EFFECTS VARY

Effects of the Pentagon’s NAF lodging conversion directive vary considerably, depending upon the particular service lodging program.

The Department of Defense (DoD) has directed the Army, Navy, Marine Corps and Air Force to convert their military lodging facilities to nonappropriated fund (NAF) activities by the end of the current fiscal year.

Guidance was provided to the military services in Defense Directive-type Memorandum (DTM) 18-007, signed late last year by Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD, M&RA) James N. Stewart, performing the duties of the Under Secretary of Defense for Personnel and Readiness (USD, P&R).

The DTM, effective Nov. 21, 2018, directs that all temporary duty (TDY) and permanent change of station (PCS) military department lodging programs worldwide and associated support functions are required to convert fully to NAF operations. NAF funding will be required for maintenance and construction as well.

Service lodging programs must rely on the income generated from higher nightly room rates to fully meet all operating expenses and close a gap created by the loss of a key funding segment that will no longer be allocated to them by the federal government.

Lodging facilities will no longer receive allocations of appropriated funds (APF), which have been used to supplement operating budgets and have paid the cost of such support requirements as utilities; lawn maintenance; police protective services; facility operations; sustainment; repair; recapitalization; and construction.

Beginning Oct. 1, 2019, these expenses must be paid solely with NAF revenue generated from lodging operations.

According to DTM 18-007: “Lodging room rates are service charges and will be established at the minimum amount necessary to cover the full cost of providing official lodging — to include cash-flow, operations, maintenance, construction, and recapitalization requirements — to meet and maintain Department of Defense (DoD) lodging adequacy standards and ensure the long-term viability of the lodging programs.”

In addition, beginning Oct. 1, 2019, lodging programs no longer will be able to use Military Interdepartmental Purchase Request-like reimbursable Memorandums of Agreement (MOA) to pay for base support services provided by the host installation.

Instead, the host installation will require actual cash payments.

For instance, the Navy Lodge program operated by the Navy Exchange Service Command (NEXCOM), currently celebrating its 50th anniversary (*see page 13*), has already been functioning as an NAF activity since its inception in 1969, with little or no APF support, so effects of the new guidance are expected to be minimal.

Navy Getaways, part of the Commander, Navy Installations Command (CNIC) Lodging Program, and the Marine Corps Recreational Lodging program are excluded from the conversion requirement, as are Armed Forces Recreation Centers and all morale, welfare and recreation (MWR) recreational lodging facilities. The 39 Fisher Houses at military hospitals and the Privatized Army Lodging (PAL) IHG Hotels in the 50 states and Puerto Rico are also excluded.

Directly affected, however, are Air Force Inns, CNIC’s Navy Gateway Inns & Suites, and Inns of the Corps, operated by Marine Corps Community Services (MCCS), as well as Army Lodges overseas.

Lodging facilities are raising nightly room rates to offset the lost funding and rebalance budgets. Rate increases vary depending on location, and the nature of the stay.

AIR FORCE INNS

The Air Force Lodging Program, which oversees 26,000 guest rooms, increased nightly lodging rates service-wide effective Jan. 1, 2019, according to the Secretary of the Air Force public affairs office. The action was called an essential step in the direction of DoD’s directive for military services lodging programs to transition to a complete NAF operations business model, eliminating APF support.

“The rate adjustment will allow Air Force Lodging to better maintain properties and modernize Air Force facilities for airmen and their families,” said Horace L. Larry, Air Force Services director. “Although there will be a fee increase, we remain committed to providing our customers affordable prices and comfortable stays.”

With APF eliminated and nightly room fees becoming the sole source of income funding all Air Force Lodging operations, facilities will work with local civil engineers squadrons to transition maintenance, service and sustainment, restoration and modernization.

Civilian personnel working in Air Force Lodging operations are already NAF employees, so no changes are expected for civilians. Military personnel assigned to Lodging will be reallocated to emerging Force Support Squadron missions to ensure required services’ deployment capabilities are not reduced.

The new Navy Gateway Inns & Suites at NS Newport, R.I., is the first NGIS funded entirely by money accumulated from guest room charges at NGIS locations within the Mid-Atlantic Region. (U.S. Navy photo by Mass Communication Specialist 2nd Class Rawad Madanat)





The new Air Force Lodging Program rates are: visiting airman quarters, \$55; visiting officer quarters/visiting quarters, \$70; temporary lodging facilities, \$77; distinguished visiting quarters, \$79; and large distinguished visiting quarters, \$83.

The rate increase is within per diem levels for all locations and all room types. If a location has a lower per diem rate, the lodging rate will match the local per diem rate.

At Ellsworth AFB, S.D., the new per-night rates at the Pine Tree Inn are up by \$10 or less depending on the room. The visiting officer quarters/visiting quarters fee of \$70 is up from \$60; the \$77 temporary lodging facilities fee, which carries an additional \$10 pet fee, is up from \$63; the distinguished visiting quarters fee of \$79 is up from \$69; and the large distinguished visiting quarters \$83 fee is up from \$75.

Visiting airmen quarters is a new category at the Pine Tree Inn.

Regarding personnel changes, “[At Ellsworth], the only person who would be affected is our lodging non-commissioned officer in charge,” said John Adkins, the 28th Force Support Squadron lodging manager. “Military personnel would still be here at lodging but only for training purposes. They won’t be here permanently.”

He said lodging facilities on base will continue to be upgraded over time, but with NAF funds.

“It won’t happen right away,” said Adkins. “In 2024 we’re due for a remodel. More than likely it will include rooms and carpeting. Temporary lodging facilities will possibly get new appliances and flooring.”

NGIS

In Hawaii, Navy Gateway Inns and Suites (NGIS) expects the transition to raise per night rates by up to \$75. “The impact of this directive in Hawaii is that Joint Base Pearl Harbor-Hickam lodging rates increased effective Oct. 1, 2018,” said Debra Couch, region lodging director, Navy Region Hawaii NGIS. “The average nightly room rate will increase about \$45 — this is mid-range compared to the DoD expected range of increase from \$1 to \$75 per night.”

Still, Couch considers the room rates reasonable compared with competing facilities featuring comparable amenities. “Even with the mandated increases, our nightly rates will average around \$156, under the government per diem rates, with no extra fees such as parking, tax, valet, tips, etc.,” she said.

With over 22,000 guest rooms worldwide, each NGIS location provides amenities that include a 24-hour guest service desk, daily in-room coffee, refrigerator, microwave, cable, free Wi-Fi, NGIS signature bed, full kitchenette, business center and taxi service.

The Pine Tree Inn is one of the Air Force lodging facilities located at Ellsworth AFB, S.D. Nightly rate adjustments to convert to NAF funding at this facility amount to \$10 per night or less. (U.S. Air Force photo by Airman 1st Class Christina Bennett)

DTM 18-007

Moving TDY and PCS lodging operations and associated support functions to be financially self-sustaining all-NAF operations accomplishes a goal set out in a Feb. 17, 2017, Secretary of Defense memorandum signed by James Mattis expressing his intent to make business operations more efficient and free up funds for higher-priority programs.

The following paragraphs are excerpts from DTM 18-007.

This guidance applies only to TDY and PCS lodging and operations, including operations at locations outside the 48 contiguous United States. It excludes MWR recreational lodging; military treatment facility lodging, to include Fisher Houses; and lodging facilities that are privatized or that are operating on a DoD installation under an enhanced use lease pursuant to Section 2667 of Title 10, United States Code.

This guidance applies to the following lodging facility and lodging support facility costs, as applicable, but only to the same extent as required of lodging facilities that are privatized (this may not be an all-inclusive list):

- Facility construction, operations, sustainment, repairs, renovations, demolition of facilities purpose-built as lodging facilities when constructed (does not include demolition of dormitories, housing, or other facilities that were later converted for use as lodging), and recapitalization, to include lodging room maintenance and repair. APF may be authorized to fund facility construction (major and minor) determined by the military services to be required to establish, activate or expand a military installation, including Base Realignment and Closure and global re-stationing requirements; relocation of facilities for convenience of the government; replacement of facilities funded by country-to-country agreements; and restoration of facilities and improvements destroyed by acts of god, fire, or terrorism. As defined in DoD Instruction 1015.15, expansion must be the result of a mission change or influx of new unites or systems and result in a 25 percent increase in authorized and assigned personnel strength within a two-year time span.

- Other costs to which this guidance applies include: utilities, electric power, steam, compressed air, water and natural gas; sewage and trash collection and disposal; recycling collection and disposal; grounds maintenance and landscaping to include

tree trimming; pest and rodent control; snow and ice removal to include the portion of parking lots exclusively used for lodging and guest parking; voice and communications services, including phone, internet/Wi-Fi; cable television, etc.; firefighting and fire protection services; law enforcement and physical security protection; real estate leases; laundry and dry cleaning; and pool maintenance, if applicable.

Except for fire, emergency, and police protective services, as applicable, these services will be obtained by the lodging operation from the most cost-effective source to the lodging operation (to

include NAF and non-DoD sources), except where use of such sources is detrimental to installation security or prohibited by law or international treaty or agreement.

All manpower directly supporting TDY and PCS lodging will be NAF-funded except for any portion of foreign national manpower funded by the host nation per established agreements and government civilian employees who do not consent to conversion to NAF employment. The conversion of APF-funded government civilians will be addressed in accordance with Section 2491(c)

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FAQs: Lodging NAF Conversion

GENERAL QUESTIONS

Why did the Office of the Secretary of Defense (OSD) direct a change in funding source for all Department of Defense (DoD) Lodging operations?

This conversion effort supports DoD's reform objectives to make business operations more efficient and free up funds for higher-priority programs.

How was Air Force Lodging funded in the past?

Air Force Lodging was funded through a combination of appropriated funds (APF, aka taxpayer dollars) and non-appropriated funds, or NAF, generated through user fees. With the required change, all funding for lodging must be generated through user fees.

Will I see improvements in Air Force Lodging as a result of this change?

The expectation is that over time, Air Force Lodging facility improvements will move toward more modern facilities that conform to current industry standards.

How soon will Air Force Lodging facilities be improved as a result of this rate increase?

The rate increase is only one part of Air Force Lodging transformation. The increased rates for fiscal 2019 will start to build the cash required to offset the additional expenses expected beginning in fiscal 2020. Customers will see improvements in two to four years.

Will anyone's job change or will jobs be lost as a result of this change?

All civilian personnel working in Air Force Lodging operations are already NAF employees, so no changes are expected for civilians. Military personnel assigned to Lodging will be reallocated to emerging Force Support Squadron missions to ensure required services' deployment capabilities are not reduced.

Will my base get a new lodging facility as a result of this funding change?

The Air Force has a deliberate plan to improve all Air Force Lodging operations in the upcoming years. For example, in 2019, new facilities will open at the following bases: Beale AFB, Calif., Temporary Lodging Facilities (TLF); Cannon AFB, N.M., TLF; JB Charleston, S.C., Visiting Quarters (VQ); Davis-Monthan AFB, Ariz., VQ; Dyess AFB, Texas, TLF; Eglin AFB, Fla., TLF; Goodfellow AFB, Texas, TLF; and Ramstein AB, Germany, TLF. More new lodging facilities are in design and approved going into 2021 and beyond.

LOGGING RATE INCREASES

Why are nightly lodging rates increasing?

Previously, a portion of Air Force Lodging expenses was paid for with APF funds. Now, 100 percent of the lodging budget must come from user fees generated through the nightly room rate. The rate adjustment allows Air Force Lodging to better maintain properties and modernize Air Force facilities for airmen and their families. Although there will be a fee increase, we are committed to providing our customers affordable prices and comfortable stays.

The Air Force published the following questions and answers in early January regarding the conversion of lodging facilities to nonappropriated-fund activities. Answers to similar questions given by other service lodging programs would differ regarding such factors as timing, but in general, the answers given here are based directly upon the guidance furnished by the Office of the Under Secretary of Defense for Personnel and Readiness. Military Club & Hospitality has made minor editing changes to the Air Force Q-and-A.

Does the fiscal 2019 rate increase impact "Space Available" customers?

The rate increase impacts all customers. However, Space-A lodging for non-official travel still provides a quality, affordable lodging experience at lower cost than off-base lodging — where and when lodging capacity

exceeds mission requirements.

I already had a reservation before the rates changed. Will Lodging honor those rates?

No. As of Jan. 1, 2019, the new rates will be the rates applied when you complete your stay.

Are we expecting lodging rates to increase again in future years?

Yes. Now that major lodging budget expenses, such as utilities and maintenance, are no longer paid for with APF, there will likely be a need in the future to adjust the rates again to account for these costs as we continue to modernize the portfolio.

Why didn't the Air Force implement this rate increase at the beginning of the fiscal year?

The Air Force was awaiting official OSD notification about the conversion to 100 percent NAF before approving the new Air Force Lodging rates. The OSD memo was sent to the services in mid-November 2018.

TRAVEL ENTITLEMENTS

Will the new lodging rates exceed the local per diem rates?

No, Air Force Lodging rates are within per diem levels for all locations and all room types. Note: Two locations have lower per diem rates. The lodging rates at those locations will match the local per diem rates.

Does this change my travel entitlements when I am TDY?

No, travel entitlements do not change. Airmen traveling in an official capacity will be reimbursed at the appropriate rate.

Does this impact my temporary lodging expense (TLE) when I'm PCS-ing?

You will still be able to use TLE when PCS-ing and will be reimbursed at the appropriate rate.

Since rates have increased, do I still have to stay on base or can I choose to stay off base?

The rate increase is still within per diem; and DoD requires official TDY travelers to stay in DoD lodging facilities when performing any portion of their TDY mission at a DoD installation. Travelers who do not obtain the appropriate non-availability letter or confirmation number will receive limited reimbursement for their lodging accommodations. OSD issued a directive in April 2018 reinforcing this requirement.

Source: Secretary of the Air Force Public Affairs