

DEFENSE WORKING CAPITAL FUND

DEFENSE-WIDE FISCAL YEAR (FY) FY 2018 BUDGET ESTIMATES

OPERATING AND CAPITAL BUDGETS



**May 2017
CONGRESSIONAL DATA**

**DEPARTMENT OF DEFENSE
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
DEFENSE-WIDE WORKING CAPITAL FUND**

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**DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
MAY 2017**

DEFENSE-WIDE SUMMARY

The Defense-Wide Working Capital Fund (DWWCF) consists of six activity groups. The Defense Logistics Agency (DLA) operates three of these activity groups, the Defense Information Systems Agency (DISA) operates two activity groups, and the Defense Finance and Accounting Service (DFAS) operates one activity group.

The DFAS was formed in January 1991 from the Military Services finance and accounting functions. The mission of the DFAS is to lead the Department of Defense (DoD) in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information.

The DISA was reorganized in 1991 from the former Defense Communications Agency. The mission of the DISA is to engineer and provide command and control capabilities and enterprise infrastructure to continuously operate and assure a global net-centric enterprise in direct support to joint warfighters, National level leaders, and other mission and coalition partners across the full spectrum of operations.

The DLA, formed in the early 1960s, operates the Supply Chain Management (SCM), Energy Management (EM), and Document Services activity groups. The DLA SCM manages the materiel from initial acquisition, to storage and distribution, and then finally reutilization or disposal. The DLA Energy Management provides comprehensive worldwide energy solutions for the military services and other authorized customers. The DLA Document Services provides time sensitive, competitively priced, and high quality printing and digital services. The mission of the DLA is to provide effective and efficient worldwide support to warfighters and our other customers.

DEFENSE-WIDE WORKING CAPITAL FUND CASH

The table below displays the actual DWWCF cash balance at the end of FY 2016 and estimated year end balances for FY 2017 and FY 2018. The plan projects a decrease of \$2,431.4 million in cash from the beginning of FY 2016 through FY 2018.

Dollars in Millions	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Cash, Beginning of Period	\$3,878.2	\$2,122.5	\$2,128.8
Disbursements	\$41,033.3	\$43,533.1	\$45,699.5
Collections	\$42,184.2	\$42,979.5	\$44,871.6
<u>Net Outlays</u>	-\$1,150.9	\$553.6	\$827.9
<u>Direct Appropriation</u>			
FY 2016 Received	\$45.1		
FY 2017 Requested		\$466.1	
FY 2018 Requested			\$47.0
<u>Overseas Appropriation</u>			
FY 2016 Received	\$86.3		
FY 2017 Requested		\$93.8	
FY 2018 Requested			\$98.9
<u>Transfers</u>	-\$3,038.0	\$0.0	\$0.0
Cash, End of Period	\$2,122.5	\$2,128.8	\$1,446.8
Lower Operating Range		\$1,280.5	\$1,249.9
Upper Operating Range		\$2,874.2	\$2,894.2

FY 2016 Cash: The DWWCF Cash balance decreased \$1,755.7 million primarily due to Transfers out of -\$3,038.0 million; partially offset by a gain from Net Outlays of -\$1,150.9 million. The transfers were from DLA EM to the Military Services and to various Defense Agencies. The Net Outlays were primarily due to lower fuel costs for DLA EM (gain of \$1,681.6 million). The DLA SCM activity outlayed \$623.1 million due to DLA Distribution (lower collections from a decrease in Storage/Service processing workload and higher Disbursements for Contract Modifications (contractor operated depots)). The DWWCF received \$45.1 million in direct appropriations for Reutilization, Transfer, and Disposal (RTD) costs and \$86.3 million in OCO funding. Of the \$86.3 million, the DLA EM received \$47.0 million for Fuel Transportation/Terminal Operations and Combat Fuel Losses and the DLA SCM received \$39.3 million primarily for the DLA Disposition Services (to support the scheduled drawdown of the Operations Freedom's Sentinel mission in Afghanistan and the Satellite Communications Services

(SATCOM) for all activities in Southwest Asia (SWA)). The FY 2016 ending cash balance was \$2,122.5 million.

FY 2017 Cash: The DWWCF projects a cash gain of \$6.3 million due to a request for appropriated funding (\$559.9 million); partially offset by a \$553.6 million loss from net outlays. The \$553.6 million loss from net outlays is due to the DLA SCM activity (\$812.8 million); partially offset by a projected gain in the DLA EM activity (-\$295.2 million). Projected Net Outlays for the DLA SCM are due to:

- (1) Distribution's planned Net Operating Result loss (lower collections from a decrease in Storage/Service processing workload and a change in processing workload mix)
- (2) disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year

The DLA EM gain of \$295.2 million is due to lower refined product estimated for the last half of the fiscal year. DLA EM collections are based on the FY 2017 standard fuel price of \$94.92 per barrel. This submission requests \$466.1 million in direct appropriations for Warfighter Readiness and RTD costs; and \$93.8 million in OCO funding. Of the \$93.8 million requested for OCO, the DLA EM is requesting \$70.0 million primarily for fuel-related services provided by the NATO Support and Procurement Agency (NSPA) and the DLA SCM is requesting \$23.8 million primarily for the DLA Disposition Services (to support the scheduled drawdown of the Operations Freedom's Sentinel mission in Afghanistan and the Satellite Communications Services (SATCOM) for all activities in Southwest Asia (SWA)). The FY 2017 ending cash balance is projected to be \$2,128.8 million.

FY 2018 Cash: The DWWCF expects to outlay \$827.9 million due to projected losses in the DLA SCM activity (\$869.8 million); partially offset by a gain for the DLA EM activity. (-\$82.0 million). Projected Net Outlays for the DLA SCM are due to:

- (1) Distribution's planned Net Operating Result loss (lower collections from a decrease in Storage/Service processing workload and a change in processing workload mix)
- (2) disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year

This submission requests \$47.0 million in direct appropriations for RTD costs and \$98.9 million in OCO funding. Of the \$98.9 million requested for OCO, the DLA EM is requesting \$70.0 million primarily for fuel-related services provided by the NATO Support and Procurement Agency (NSPA) and the DLA SCM is requesting \$28.9 million primarily for the

DLA Disposition Services (to support the scheduled drawdown of the Operations Freedom's Sentinel mission in Afghanistan and the Satellite Communications Services (SATCOM) for all activities in Southwest Asia (SWA)). The FY 2018 ending cash balance is projected to be \$1,446.8 million.

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL
SOURCE OF NEW ORDERS AND REVENUE
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
MAY 2017
(Dollars in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
1. New Orders:			
a. Orders from DoD Components			
Army	6,008.3	7,280.0	7,610.1
Operations & Maintenance	4,665.8	5,433.3	5,699.5
Research Development Testing & Evaluation	92.1	99.7	108.8
Procurement	118.8	134.6	141.2
Military Construction	8.5	5.9	6.6
Family Housing	0.9	1.9	1.6
Military Personnel	1,077.2	1,554.9	1,602.3
Other	45.0	49.7	50.1
Navy	5,675.1	6,193.0	6,608.8
Operations & Maintenance	5,037.9	5,268.6	5,656.6
Research Development Testing & Evaluation	3.9	4.5	4.6
Procurement	150.2	212.6	219.3
Military Construction	0.1	0.2	0.2
Family Housing	1.1	1.6	1.7
Military Personnel	418.6	608.9	627.1
Other	63.3	96.6	99.3
Air Force	6,035.9	6,120.7	6,614.1
Operations & Maintenance	5,851.1	5,912.1	6,396.0
Research Development Testing & Evaluation	84.2	77.2	83.7
Procurement	8.6	9.9	10.3
Military Construction	0.0	0.0	0.0
Family Housing	2.9	3.4	3.6
Military Personnel	54.7	79.5	81.8
Other	34.4	38.6	38.7
Marine Corps	666.1	943.6	976.1
Operations & Maintenance	479.4	668.3	692.5
Research Development Testing & Evaluation	0.0	0.0	0.0
Procurement	1.8	6.3	6.6
Military Construction	0.0	0.0	0.0
Family Housing	0.0	0.0	0.0
Military Personnel	184.9	269.0	277.0
Other	0.0	0.0	0.0
Defense-Wide	4,393.6	6,889.4	7,174.3
Operations & Maintenance	2,074.6	3,555.0	3,748.9
Research Development Testing & Evaluation	25.7	20.0	20.9
Procurement	6.5	4.0	4.1
Military Construction	0.0	0.0	0.0
Family Housing	0.0	0.0	0.0
Military Personnel	0.0	0.0	0.0
Other	2,286.8	3,310.4	3,400.4

Other	0.0	0.0	0.0
Operations & Maintenance	0.0	0.0	0.0
Research Development Testing & Evaluation	0.0	0.0	0.0
Procurement	0.0	0.0	0.0
Military Construction	0.0	0.0	0.0
Family Housing	0.0	0.0	0.0
Military Personnel	0.0	0.0	0.0
Other	0.0	0.0	0.0
Total New Orders	22,779.0	27,426.7	28,983.4
Operations & Maintenance	18,108.8	20,837.3	22,193.5
Research Development Testing & Evaluation	205.9	201.4	218.0
Procurement	285.9	367.4	381.5
Military Construction	8.6	6.1	6.8
Family Housing	4.9	6.9	6.9
Military Personnel	1,735.4	2,512.3	2,588.2
Other	2,429.5	3,495.3	3,588.5
b. Orders from Other Fund Activity Groups	16,086.2	11,815.6	12,424.4
Army	3,299.6	2,311.4	2,429.7
Navy	3,430.1	2,584.4	2,732.9
Air Force	8,040.0	5,598.7	5,896.4
Marine Corp	2.3	1.5	2.7
Defense-Wide	1,314.2	1,319.6	1,362.7
c. Total DoD	38,865.2	39,242.3	41,407.8
d. Other Orders:	3,315.3	3,171.2	3,223.8
Trust Fund	0.1	0.1	0.1
Federal Agencies	1,082.7	1,185.1	1,235.7
Non Federal Agencies	468.3	645.9	703.9
Exchange Activities	0.0	0.0	0.0
Foreign Military Sales	1,764.2	1,340.1	1,284.1
2. Carry-In Orders	3,615.3	3,789.6	3,578.0
3. Total Gross Orders	45,795.8	46,203.1	48,209.6
4. Carry-Out Orders	-3,789.6	-3,578.0	-3,506.0
5. Gross Sales	42,006.2	42,625.1	44,703.6
Disposition Services - Sales Proceeds	130.1	138.8	126.9
6. Credits & Allowances	-426.8	-764.4	-823.3
7. Net Sales	41,709.5	41,999.5	44,007.2
8. Reimbursable Sales	699.8	1,161.1	1,030.3
9. Total Revenue	42,409.3	43,160.6	45,037.5

**DEFENSE-WIDE WORKING CAPITAL FUND
SUMMARY
FISCAL YEAR (FY) 2018 BUDGET ESTIMATE
REVENUE AND EXPENSES
MAY 2017
(Dollars in Millions)**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Revenue:			
Gross Sales	41,068.5	41,447.7	43,431.3
Operations	40,829.0	41,218.6	43,231.5
Capital Surcharge	(10.3)	(8.4)	(5.7)
Capital Investment Recovery	249.8	237.5	205.5
Major Construction Depreciation	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0
Other Income	1,767.9	2,477.6	2,429.5
Refunds/Discounts (-)	(426.8)	(764.5)	(823.3)
Total Income	42,409.6	43,160.8	45,037.5
Expenses:			
Cost of Materiel Sold from Inventory	26,956.9	25,345.5	27,127.0
Materiel-Related	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	66.2	60.8	63.6
Civilian Personnel Compensation & Benefits	3,724.2	3,765.0	3,819.7
Travel & Transportation of Personnel	46.6	56.2	56.2
Materials & Supplies (For Internal Oper)	76.9	101.6	103.9
Equipment	74.3	93.2	95.6
Other Purchases from Revolving Funds	782.4	894.9	851.0
Transportation of Things	736.6	830.2	849.0
Inventory Maintenance	95.5	70.1	81.8
Capital Investment Recovery	295.6	301.3	269.3
Printing & Reproduction	90.8	92.1	80.9
Advisory and Assistance Services	87.3	99.2	105.1
Rent, Communication, Utilities, & Misc.	1,859.3	2,075.4	2,065.9
Other Purchased Services	6,762.3	9,131.4	9,791.0
Total Expenses	41,654.9	42,916.9	45,360.0
Operating Result	754.7	243.9	(322.5)
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	97.7	501.1	89.5
Net Operating Result (NOR)	852.4	745.0	(233.0)
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	(3,055.4)	274.5	1,832.3
Prior Year AOR	480.0	(1,832.5)	(915.7)
Accumulated Operating Result (AOR)	(1,723.0)	(813.0)	683.6
Non-Recoverable Adjustments Impacting AOR	(109.1)	(102.8)	(683.6)
Accumulated Operating Results for Budget Purposes	(1,832.1)	(915.8)	(0.0)

Defense Finance and Accounting Service



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For Open Publication

May 12, 2017

Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW

Fiscal Year (FY) 2018 Budget Estimates
Defense Working Capital Fund (DWCF)
President's Budget Submission
May 2017

CLEARED
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17-C-0450
May 12, 2017

DEFENSE FINANCE AND ACCOUNTING SERVICE

Overview

As the world's largest finance and accounting operation, the Defense Finance and Accounting Service (DFAS) leads the Department of Defense (DoD) in finance and accounting, ensuring the delivery of efficient, exceptional quality pay and financial information.

Established to leverage economies of scale and scope by centralizing various finance, accounting, human resources, and financial systems management services, the DFAS effectively leverages the Working Capital Fund model of full cost transparency to steadily and continually reduce costs to customers. Since its inception, the DFAS has consolidated more than 300 installation-level offices into nine sites and reduced the number of systems in use from 330 to 91. As a Working Capital Fund, the DFAS obtains all of its funding by charging customers for services provided, rather than through direct appropriations. The DFAS establishes stabilized customer rates annually in advance of execution based upon anticipated workload, estimated costs, and prior year gains or losses, with the goal of breaking even over the long run and ensuring sufficient cash to meet daily operations.

The DFAS is committed to exceptional customer service, delivering customers accurate and timely finance and accounting services at lowest cost, while utilizing electronic processes wherever possible. The DFAS works in partnership with defense agencies, military services, and combatant commands to provide timely business information to key decision-makers. By focusing on the finance and accounting needs of the military services, the DFAS allows the warfighter to better concentrate on their mission.

The DFAS pays all DoD military and civilian personnel, military retirees and annuitants, as well as major DoD contractors and vendors. The DFAS also functions as a shared services provider, delivering services to federal customers outside the DoD.

On behalf of all customers, the DFAS disburses, on average, over \$2.0 billion every workday, while providing a diverse range of accounting services, customer support, and financial reporting to assist customers in tracking funds and managing their budgets. The range and breadth of accounting, financial management, and support services provided to customers are briefly outlined below.

Audit Readiness Services:

In support of the Department's goal of achieving fully auditable financial statements, the DFAS has pursued an aggressive hiring strategy, to ensure the right resources and human capital skillsets are in place to continue the surge toward audit readiness, and then to transition the Department into a state of audit steadiness.

Military/Civilian Pay Services:

Annually, the DFAS processes over 120 million pay transactions, disburses over \$500 billion to over six million payroll customers, and manages nearly \$900 billion in the Military Retirement and Health Benefits Funds. The DFAS pays all active and reserve military members, military retirees and annuitants, as well as DoD civilian personnel and the President of the United States. The DFAS also supports customers outside the DoD in support of electronic government initiatives. The DFAS continuously enhances value to customers by finding innovative ways to improve service and reduce costs. For example, military and civilian customers can access payroll information anywhere an internet connection is available. In addition, customers can enter time and attendance, process travel claims, expedite payment of claims, and view electronic tax documents online. Transitioning to an electronic environment has resulted in more efficient processes, broader and faster availability of information, more functionality, and increased hands-on control for customers.

Commercial Pay Services:

The DFAS processes over 11 million commercial invoices while reducing unit costs through increased use of electronic commerce (e.g.--electronic receipt of contracts, invoices, and receiving reports). This, along with other process improvements, has resulted in reduced cycle times, fewer errors, and less rework, freeing up personnel and customer resources to support the warfighter.

The DFAS continues to work with customers to transition workload from legacy systems to the Enterprise Resource Planning (ERP) system environment with Defense Enterprise Accounting and Management System (DEAMS) for the Air Force, General Fund Enterprise Business System (GFEBS) for the Army, Navy Enterprise Resource Planning (NERP) for the Navy, and Defense Agencies Initiative (DAI) for the Defense Agencies.

Accounting Operations Services:

The DFAS accounts for over 1,300 active DoD appropriations, by maintaining over 150 million general ledger accounts. Accounting Operations provides responsive and professional financial management, accounting, analysis, and consultation services with a focus on helping the DoD and other customers become more audit ready every day.

Information Technology (I&T) Services:

Robust investment in building and maintaining secure and audit-ready accounting, disbursing, and payroll systems is critical to the DFAS mission. The constantly-evolving technological environment necessitates continuous management focus on I&T planning, development and maintenance of systems, and daily infrastructure operations. Technology services provided include planning, developing architectures, designing, building, operating, and maintaining essential telecommunications and computing infrastructure.

DFAS Strategy

In the current fiscal environment, it is imperative that every dollar counts as the DFAS builds and executes its budget. To ensure that the highest priority requirements are resourced appropriately, the DFAS has outlined its budget to align with four key strategic priorities:

- **Audit Steadiness:** Helping lead the DoD in achieving and sustaining favorable audits for all financial statements
- **Business Environment Modernization:** Modernizing processes and leveraging technologies to achieve the highest customer service levels and greatest cost efficiencies possible
- **People:** Implementing strategies for precise and timely alignment of talent pools with customer-driven mission requirements
- **Agency Operational Health:** Comprehensive, metrics-based approach to improving productivity and customer service to maximize the DFAS' value as a shared service provider

Budget Assumptions

The DFAS aligns its budget assumptions and estimates on business events required to meet customer workload forecasts. As a Working Capital Fund, the DFAS has the crucial flexibility to adapt its execution plan in response to subsequent changes in customer requirements.

For FY 2018, the DFAS formulated its budget with a focus on providing quality service to customers at the lowest possible cost while maintaining sufficient resources to support ongoing operations and capital investment. The FY 2018 budget incorporates the following assumptions:

- Leveraging efficiencies and increases in operational productivity to meet new workload demands at the lowest cost to the customer
- Ensuring the highest level of quality and customer service by analyzing and evaluating operational performance against maturing metrics and benchmarks
- Supporting customer audit assertion and audit execution by providing client liaison support, educational programs, contracting and accounting support, and system upgrades and enhancements as part of a dedicated audit readiness infrastructure
- Generating long-term cost savings and continuity of quality by in-sourcing mission-related functions when beneficial

- Increasing cost efficiencies by consolidating servers, reducing database sizes, strategically managing hardware replacement schedules, and in-sourcing expertise
- Focusing on the consolidation and elimination of costly legacy systems and transitioning to the targeted system environment while effectively managing a constantly-shifting systems portfolio that includes system retirements, delays in sunset dates, and system transitions
- Increasing support for I&T infrastructure, audit readiness, Information Security, Federal Information System Controls Audit Manual (FISCAM), Universe of Transactions, data transparency, and the Risk Management Framework in order to meet Federal and DoD requirements
- Ensuring the safety of customer and agency data through a robust system infrastructure and cybersecurity program which combat malicious attacks and focus on continuity of operations
- Targeting areas of opportunity to reduce overhead driven by headquarters functions, where possible, to ensure that the DFAS cost structure remains responsive to customer requirements
- Increasing partnership opportunities with customers, to ensure the DFAS has timely resources to support ongoing operations and capital investment plans

Budget Summary

The following tables provide the DFAS' estimates for revenue, cost, and personnel levels.

Revenue and Expenses (\$ in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Revenue	\$1,406.3	\$1,404.3	\$1,374.8
Cost of Operations	\$1,339.4	\$1,389.3	\$1,419.3
Operating Results	\$66.9	\$14.9	\$(44.5)
Adjustment for Unfunded Depreciation on non-DFAS acquired PP&E	\$13.2	\$11.2	\$13.2
Recoverable Net Operating Results (NOR)	\$80.1	\$26.1	\$(31.3)
Accumulated Operating Results (AOR) – Beginning	\$74.7	\$80.1	\$31.3
Adjustment for Recoverable/Deferred AOR	\$(74.7)	\$(75.0)	\$0
Recoverable AOR - Ending	\$80.1	\$31.3	\$0

Operating results in FY 2016 exceeded planned levels; accordingly, the DFAS has reduced its FY 2018 rates below projected costs to return anticipated excess Accumulated Operating Results (AOR) to customers. The DFAS built its FY 2016 and FY 2017 rate structure to rebuild the DFAS cash corpus that was consumed by previous year losses and to ensure sufficient cash to support ongoing daily operations. As a result, the DFAS intends to request approval to make a portion of its FY 2016 AOR non-recoverable. Decisions on future AOR adjustments will be re-evaluated each year based on operating results and cash requirements.

Personnel

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Civilian FTEs	11,085	11,482	11,597
Civilian End Strength	11,480	11,520	11,663
Military End Strength	29	24	24

Capital Investment Program
(\$ in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Total Obligations	\$37.2	\$39.5	\$31.3
Total Capital Outlays	\$25.7	\$35.3	\$34.6

ADPE and Telecommunications Equipment

FY 2018: Budgeted projects aid the DFAS in meeting Federal and DoD mandates through enhancements to Enterprise Local Area Network (ELAN), teleservices, and security. Investments also include the development of a Content Management Portfolio System for customer document management, to facilitate archiving, searching, auditing, and reporting, as well as funding for a Virtual Desktop tool to enhance workstation software support.

FY 2017: Capital investments show an increase from the 2017 President's Budget due to a reprioritization and reassessment of costs for ELAN, security, and teleservices, to meet Federal and DoD mandates. Additional requirements include a security toolkit, domain name system security extensions, hardware and software asset management system, domain controller sustainment, and UNIX software.

Software Development

FY 2018: Budget supports migration of the Navy workload to the Deployable Disbursing System (DDS) to fit the Agency's Standard Disbursing Initiative goal. Functionality must be put in place and interfaces developed to allow DDS to meet the Navy's disbursing system requirements. Navy disbursing will be standardized and streamlined to mirror Army and USMC processes.

FY 2017: Capital investments show a decrease from the 2017 President's Budget due to reprioritization of several projects, including the Defense Cash Accountability System (DCAS), Defense Departmental Reporting System (DDRS) for Treasury daily cash reporting, and DFAS Corporate Database/DFAS Corporate Warehouse (DCD/DCW). An additional decrease is due to the cancellation of the DCD/DCW TI-97 requirements and the Consolidated Fund Balance with Treasury (CFBwT) project.

Minor Construction

FY 2018: Projects are conservation and security projects at various locations. Restroom improvements to meet the mandated water reduction goals, a generator upgrade to provide minimum life safety requirements, and a telework hoteling space enhancement are planned at Columbus. At Indianapolis, renovations of two areas are planned, which will include HVAC changes, relocation of fire suppression systems, and electrical system upgrades. Safety and energy conservation projects at Limestone include solar lighting for parking lots, expansion of sidewalks, a loading dock extension, and weather protective security gate

canopies. The security office at Rome will be reconfigured. Cleveland will build a secure area for classified activities.

FY 2017: Capital investments show a slight increase due to an emerging requirement for Rome that will address security concerns at entry points to the building.

Fiscal Year (FY) 2018 - 2022 Budget Estimates
Changes in the Costs of Operation
Defense Finance and Accounting Service
May 2017
(\$ in Millions)

	Costs
FY 2016 Actual	\$1,339.4
Pricing Adjustment:	
FY 2017 Civilian Pay Raise	\$15.7
Annualization Prior Year Pay Raise	3.2
Inflation Adjustment	5.5
Program Changes:	
Military Personnel Compensation	(0.4)
Civilian Personnel Compensation	15.7
Travel & Transportation of Personnel	0.2
Material & Supplies	0.5
Other Purchases from Revolving Funds	11.9
Transportation of Things	0.2
Depreciation	(0.9)
Printing & Reproduction	0.0
Advisory & Assistance Services	1.2
Rent, Communication, Utilities and Misc. Charges	4.4
Other Purchased Service	(7.5)
FY 2017 of PB 2017:	\$1,389.3
Pricing Adjustment:	
FY 2018 Civilian Pay Raise	\$14.7
Annualization Prior Year Pay Raise	5.4
Inflation Adjustment	6.4
Program Changes:	
Military Personnel Compensation	(0.1)
Civilian Personnel Compensation	13.4
Travel & Transportation of Personnel	(0.5)
Material & Supplies	(0.1)
Other Purchases from Revolving Funds	(9.1)
Transportation of Things	(0.3)
Depreciation	(1.1)
Printing & Reproduction	0.7
Advisory & Assistance Services	2.4
Rent, Communication, Utilities and Misc. Charges	(4.2)
Other Purchased Service	2.1
FY 2018 PBR 2018 Estimate:	\$1,419.3

**Fiscal Year (FY) 2018 - 2022 Budget Estimates
Source of New Orders and Revenue
Defense Finance and Accounting Service
May 2017**

1. New Orders			FY 2016	FY 2017	FY 2018
a. Orders from DoD Components:					
APPN	Client	Customer			
Total Capital	Defense Agency	Defense Finance and Accounting Service	6.2	14.6	3.8
Total Family Ho	Army	Army Family Housing	0.1	0.5	0.1
O&M	Air Force	Core Work	267.1	267.5	268.1
O&M	Army	Core Work	508.0	516.2	499.0
O&M	Marine Corps	Core Work	45.9	47.5	47.0
O&M	Navy	Core Work	218.8	213.1	222.6
O&M	Defense Agency	Business Transformation Agency	0.2	0.1	0.0
O&M	Defense Agency	US Court of Appeals for the Armed Forces	0.0	0.1	0.1
O&M	Defense Agency	Chemical Biological Defense Program	0.0	0.0	0.0
O&M	Defense Agency	Defense Acquisition University	1.3	1.0	0.9
O&M	Defense Agency	Defense Contract Audit Agency	4.9	5.3	6.3
O&M	Defense Agency	Defense Contract Management Activity	6.3	6.7	7.5
O&M	Defense Agency	Defense Health Program	34.4	34.1	31.9
O&M	Defense Agency	Defense Human Resources Activity	3.3	2.3	2.7
O&M	Defense Agency	Defense Intelligence Agency	7.4	0.8	0.8
O&M	Defense Agency	Defense Information Systems Agency	5.6	12.4	10.6
O&M	Defense Agency	Defense Logistics Agency	3.4	4.3	1.0
O&M	Defense Agency	Defense Legal Services Agency	0.2	0.2	0.4
O&M	Defense Agency	Defense Media Activity	1.0	1.4	1.2
O&M	Defense Agency	Department of Defense Prisoner of War/Missing In Action Office	0.6	0.4	0.5
O&M	Defense Agency	Department of Defense Comptroller	0.0	0.0	0.0
O&M	Defense Agency	Department of Defense Education Activity	8.4	7.6	7.7
O&M	Defense Agency	Department of Defense Inspector General	0.8	3.0	3.2
O&M	Defense Agency	Defense Security Cooperation Agency	2.5	1.6	1.9
O&M	Defense Agency	Defense Security Service	1.9	1.6	2.0
O&M	Defense Agency	Defense Threat Reduction Agency	2.8	3.2	2.9
O&M	Defense Agency	Defense Technology Security Administration	0.2	0.5	0.5
O&M	Defense Agency	Joint Chief of Staff, Office	0.6	0.9	0.8
O&M	Defense Agency	Military Housing Privatization Initiative	9.6	0.7	0.7
O&M	Defense Agency	National Defense University	0.8	0.6	0.7
O&M	Defense Agency	National Geospatial-Intelligence Agency	2.3	2.8	1.3
O&M	Defense Agency	National Security Agency	9.2	1.7	1.6
O&M	Defense Agency	Office of Economic Adjustment	0.3	0.5	0.3
O&M	Defense Agency	Pentagon Force Protection Agency	0.2	0.3	0.3
O&M	Defense Agency	Department of Defense, Office of	0.0	0.0	0.0
O&M	Defense Agency	Special Operations Command	0.0	0.0	0.0
O&M	Defense Agency	US Soldier's & Airmen's Home	0.0	0.0	0.0
O&M	Defense Agency	Washington Headquarters Service	5.2	5.3	6.8
Total O&M			1,153.2	1,143.6	1,131.4
RDT&E	Army	Army	0.0	0.0	0.0
RDT&E	Navy	Navy	2.0	1.8	1.8
RDT&E	Air Force	Air Force	0.0	0.0	0.0
RDT&E	Defense Agency	Business Transformation Agency	0.0	0.0	0.0
RDT&E	Defense Agency	Chemical Biological Defense Program	1.3	0.7	1.1
RDT&E	Defense Agency	Center for Countermeasures	0.1	0.1	0.1
RDT&E	Defense Agency	Defense Advanced Research Projects Agency	3.5	2.9	2.9
RDT&E	Defense Agency	Defense Health Program	0.0	0.0	0.0
RDT&E	Defense Agency	Defense Information Systems Agency	0.0	0.0	0.0
RDT&E	Defense Agency	Defense Logistics Agency	0.0	0.0	0.0
RDT&E	Defense Agency	Defense Technical Information Center	6.6	3.3	3.4
RDT&E	Defense Agency	Missile Defense Agency	4.9	4.1	4.1
RDT&E	Defense Agency	Washington Headquarters Service	0.1	0.0	0.0
Total RDT&E			18.6	12.9	13.4

**Fiscal Year (FY) 2018 - 2022 Budget Estimates
Source of New Orders and Revenue
Defense Finance and Accounting Service
May 2017**

			FY 2016	FY 2017	FY 2018
FMS	Defense Agency	Defense Security Cooperation Agency	23.8	24.6	23.2
Total FMS			23.8	24.6	23.2
a. Total Orders from DoD Components:			1,202.0	1,196.1	1,171.8
b. Orders from Other Fund Activity Groups					
APPN	Client	Customer			
WCF	Air Force		7.9	8.4	8.4
WCF	Army		11.4	10.3	9.8
WCF	Marine Corps		2.3	1.5	2.7
WCF	Navy		38.0	38.5	35.1
WCF	Defense Agency	Defense Commissary Agency	17.2	16.6	17.2
WCF	Defense Agency	Defense Information Systems Agency-DITCO	9.0	9.7	8.2
WCF	Defense Agency	Defense Logistics Agency	51.9	59.2	61.3
WCF	Defense Agency	Military Traffic Management Command	2.4	2.1	2.3
WCF	Defense Agency	TRANSCOM	9.5	8.3	8.5
WCF	Defense Agency	Defense Technical Information Center	0.0	0.0	0.1
WCF	Defense Agency	Defense Technology Security Administration	0.3	0.1	0.1
WCF	Defense Agency	Washington Headquarters Service	0.0	0.0	0.0
WCF	Defense Agency	Pentagon Force Protection Agency	0.0	0.0	0.0
b. Total Orders from Other Fund Activity Groups			150.1	154.8	153.7
c. Total DoD			1,352.1	1,350.8	1,325.5
d. Other Orders					
	US Dept of Treasury	US Dept of Treasury	0.9	0.9	0.6
	US Dept of Veteran Affairs	US Dept of Veteran Affairs	38.9	36.7	35.4
	US Dept of Energy	US Dept of Energy	1.1	1.1	1.0
	US Dept of Health Human Services	US Dept of Health Human Services	8.7	8.3	7.7
	US Corps of Engineers	US Corps of Engineers	3.7	3.5	3.3
	Department of Homeland Security	Department of Homeland Security	0.0	0.0	0.0
	Director of National Intelligence	Director of National Intelligence	0.4	2.0	0.5
	Environmental Protection Agency	Environmental Protection Agency	0.1	0.0	0.0
	US Coast Guard	US Coast Guard	0.1	0.1	0.1
	Executive Office of the President	Executive Office of the President	0.2	0.2	0.2
	Broadcast Board of Governors	Broadcast Board of Governors	0.2	0.2	0.1
	Foreign Military Sales	Foreign Military Sales	0.0	0.0	0.0
	Commercial (Citi, EDS, etc)	Commercial	0.0	0.6	0.4
d. Total Other Orders			54.2	53.4	49.2
1. Total New Orders			1,406.3	1,404.3	1,374.8
2. Carry-In Orders			0.0	0.0	0.0
3. Total Gross Orders			1,406.3	1,404.3	1,374.8
4. Carry-Out Orders			0.0	0.0	0.0
5. Gross Sales			1,406.3	1,404.3	1,374.8
6. Credit			0.0	0.0	0.0
7. Net Sales			1,406.3	1,404.3	1,374.8

**Fiscal Year (FY) 2018 -2022 Budget Estimates
Revenue and Costs
Defense Finance and Accounting Service
May 2017
(\$ in Millions)**

	FY 2016	FY 2017	FY 2018
Revenue			
Gross Sales			
Operations	1,381.4	1,378.2	1,351.8
Depreciation except Major Construction	24.9	26.1	22.9
Other Income	0.0	0.0	0.0
Customer Bill Adjustment	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0
Total Income:	1,406.3	1,404.3	1,374.8
Costs			
Salaries and Wages:			
Military Personnel Compensation & Benefits	2.1	1.8	1.7
Civilian Personnel Compensation & Benefits	993.4	1,028.0	1,061.5
Travel & Transportation of Personnel	4.8	5.0	4.7
Materials & Supplies (Internal Operations)	2.4	2.9	2.9
Other Purchases from Revolving Funds	93.7	107.4	100.4
Transportation of Things	0.5	0.7	0.4
Depreciation - Capital	38.2	37.3	36.2
Printing and Reproduction	4.8	4.9	5.7
Advisory and Assistance Services	17.5	19.0	21.8
Rent, Communications, Utilities & Misc. Charges	41.0	46.1	42.6
Other Purchased Services	141.2	136.3	141.4
Total Expenses:	1,339.4	1,389.3	1,419.3
Operating Result	66.9	14.9	(44.5)
Depreciation, Non-DWCF Acquired PP&E	13.2	11.2	13.2
Adjustments to NOR	0.0	0.0	0.0
Net Operating Result	80.1	26.1	(31.3)
PY AOR	74.7	80.1	31.3
Non-recoverable/Deferred AOR Adjustment	(74.7)	(75.0)	0.0
Accumulated Operating Results	80.1	31.3	(0.0)

**DEFENSE INFORMATION SYSTEMS AGENCY
FISCAL YEAR (FY) 2018
BUDGET ESTIMATES**



**DEFENSE WORKING CAPITAL FUND
INFORMATION SERVICES**

May 2017

**DEPARTMENT OF DEFENSE
DEFENSE INFORMATION SYSTEMS AGENCY
Defense Working Capital Fund**

Information Services Activity Group: Overview

FISCAL YEAR (FY) 2018 BUDGET ESTIMATES

The Defense Information Systems Agency (DISA) is a combat support agency responsible for planning, engineering, acquiring, fielding, and supporting global net-centric solutions to serve the needs of the President, Vice President, the Secretary of Defense, and other Department of Defense (DoD) Components. Its goal is to enable information dominance and support the warfighters and those who support them.

**Defense Information Systems Agency
Information Services Activity Group
Key Budget Data**

(\$ in millions)	FY 2016 ^[1]	FY 2017	FY 2018
Revenue	\$6,798.5	\$8,165.4	\$8,667.3
Cost	\$6,732.7	\$8,181.8	\$8,625.4
Net Operating Result	\$65.9	(\$16.3)	\$41.9
Prior Year Accumulated Operating Results (AOR)	\$106.8	\$62.5	(\$38.6)
Other Adjustments Affecting NOR/AOR	\$0.0	\$18.0	\$0.0
Ending AOR	\$172.7	\$64.2	\$3.2
Retained AOR	\$110.2	\$102.8	\$3.2
Total Retained AOR ^[2]	\$110.2	\$213.0	\$216.2
AOR for Budget Purposes	\$62.5	(\$38.6)	\$0.0
Capital Budget	\$65.4	\$72.0	\$103.5
Civilian Work Years	3,170	2,911	2,922
Military End Strength	72	26	26

^[1]The table above provides a summary of the financial accounts and personnel levels reflected in this budget request for the Information Services activity group. FY 2016 data are actual results.

^[2]Retention of AOR through FY 2018 in order to maintain sufficient cash balances for expected capital outlays.

Please note data in all tables may not add due to rounding.

The DoD Joint Information Environment (JIE) is designed to create an enterprise information environment that optimizes use of the DoD IT assets, converging communications, computing, and enterprise services into a single joint platform that can be leveraged for all Department missions. These efforts improve mission effectiveness, reduce total cost of ownership, reduce the attack surface of our networks, and enable DISA's mission partners to more efficiently access the information resources of the enterprise to perform their missions from any authorized IT

device anywhere in the world. The DISA continues its efforts towards realization of an integrated Department-wide implementation of the JIE through development, integration, and synchronization of JIE technical plans, programs and capabilities.

The DISA is uniquely positioned to provide the kind of streamlined, rationalized enterprise solutions the Department is looking for to effect IT transformation. The DISA owns/operates enterprise and cloud-capable Defense Enterprise Computing Centers (DECCs), the world-wide Defense Information Systems Network (DISN), and the Defense IT Contracting Organization (DITCO). The DECCs routinely see workload increases – this trend will increase as major new initiatives begin to fully impact the Department. As part of the Department’s transition to the Joint Information Environment (JIE), DISA’s DECCs have been identified as Continental United States (CONUS) Core Data Centers (CDCs), and Defense Enterprise Email (DEE) has been identified as a DoD Enterprise Service. The DISA also anticipates continuation of partnerships with other federal agencies. The DoD/VA Integrated Electronic Health Record (iEHR) agreement to host all medical records in the DECCs and the requirement for DoD to provide Public Key Infrastructure (PKI) services to other federal agencies on a reimbursable basis are examples. We continue to move forward on several new initiatives, including: implementation of multiprotocol label switching (MPLS) technology; deploying and sustaining Joint Regional Security Stacks (JRSS) to fundamentally change the way the DoD secures and protects its information networks; and operating a Joint Enterprise License Agreement (JELA) line of business with a low fee of 0.5 percent.

The DISA operates the Information Services Activity Group within the Defense-Wide Working Capital Fund (DWCF). DISA DWCF consists of two components, the **Computing Services (CS)** and the **Telecommunications Services/Enterprise Acquisition Services (TS/EAS) Groups**. As our business areas continue to evolve, they are interdependent cost centers of an integrated technical architecture. As a result, this legacy division of the Information Services Activity Group is moving toward full integration into a single business entity pending replacement of legacy systems. For rate setting purposes, the DISA assesses profit/loss factors at the agency level.

Rate Changes for Major Programs

	FY 2018 Rate/Fee	Percent Change
DISN Infrastructure Services (DISN IS)	-	1.90%
Standard Contracting Fee	2.50%	0.00%
Joint Enterprise License Agreement (JELA) Contracting Fee	0.50%	0.00%
JELA Decentralized Ordering Fee	0.25%	0.00%
Computing Services Composite Change	-	1.90%

**DEPARTMENT OF DEFENSE
DEFENSE INFORMATION SYSTEMS AGENCY
Defense Working Capital Fund
Computing Services**

FISCAL YEAR (FY) 2018 BUDGET ESTIMATES

The Computing Services business area operates the Defense Enterprise Computing Centers (DECCs), which provide mainframe and server processing operations, data storage, production support, technical services, and end-user assistance for command and control, combat support, and enterprise service applications across the Department of Defense (DoD).

The DoD Chief Information Officer (CIO) is leading efforts within the Department to consolidate data centers, continue the adoption of enterprise services, and foster adoption of cloud computing—all of which directly impact Computing Services. At the forefront of these initiatives is the Department's push towards the Joint Information Environment (JIE) and the designation of DISA DECCs as Core Data Centers (CDCs). CDCs are the backbone of the JIE and are highly capable, highly resilient data centers providing standardized hosting and storage services to the enterprise within the Single Security Architecture currently being implemented. CDCs also enable a significant reduction in the total number of DoD data centers by serving as consolidation points for computing and storage services currently hosted across hundreds of component facilities.

This budget reflects conservative estimates of workload growth combined with cost savings measures which generate a 1.90 percent aggregate rate increase in FY 2018. DISA will achieve cost savings through various efficiency initiatives, such as:

- Savings from new capacity service contracts for storage, processor, and communications equipment
- Labor savings on the Tech Support contract
- Reduction in manpower levels
- Various contract efficiencies based on contract renegotiations
- Savings from the Global Content Delivery Service contract

The subsequent chart provides a summary of the major financial accounts and personnel levels included in this budget submission. DISA proposes maintaining an accumulated operating result of -\$22.4 million at the end of FY 2018, which will be offset by profits in the Telecommunications Services and Enterprise Acquisition Services business areas. Additional details on operating cost and rates are discussed in later sections.

**Computing Services
Key Budget Data**

(\$ in millions)	FY 2016*	FY 2017	FY 2018
Revenue	\$966.0	\$947.4	\$984.6
Cost	\$952.5	\$955.8	\$967.5
Net Operating Result	\$13.4	(\$8.4)	\$17.1
Prior Year Accumulated Operating Results (AOR)	(\$45.1)	(\$31.6)	(\$39.5)
Total AOR	(\$31.6)	(\$39.5)	(\$22.4)
Retained AOR	\$0.0	\$0.0	\$0.0
AOR for Budget Purposes	(\$31.6)	(\$39.5)	(\$22.4)
Capital Budget	\$32.2	\$62.1	\$79.4
Civilian Work years	1,735	1,710	1,710
Military End Strength	6	5	5

*Fiscal Year 2016 data are actual results.

Overview

In FY 2016, there were ten DECCs: eight in the continental United States (CONUS) and two outside the continental United States (OCONUS). A Theater Enterprise Computing Center (TECC) was also established in 2009 in Southwest Asia. DECCs Warner Robins and Pacific are scheduled to close in FY 2017. The computing facilities continue to be highly accessible and secure data processing centers with dual high-capacity Defense Information Systems Network connectivity and organic defense in-depth, resulting in a secure and robust computing infrastructure. They feature automated systems management to control computing resources and to gain economies of scale. Additionally, Computing Services provides “assured computing,” whereby all mission-critical data is continuously available to customers.

The Computing Centers employ highly skilled and experienced teams of government and contractor personnel to manage hardware and software applications encompassing a broad spectrum of computing, storage, and communications technologies. The facilities have been designed and are managed to provide secure, available, and interoperable environments for both classified and unclassified processing under military control. Collectively these facilities provide a robust enterprise computing environment to over four million users through:

- 21 mainframes
- Almost 14,500 servers
- Approximately 64,000 terabytes of storage
- Approximately 364,000 square feet of raised floor
- Survivable connectivity to the Defense Information Systems Network core

The subsequent table displays their locations. All CONUS DECCs have been designated as Core Data Centers as part of the JIE.

DECC Locations
Mechanicsburg, PA Montgomery, AL Oklahoma City, OK Ogden, UT Columbus, OH San Antonio, TX St. Louis, MO Warner Robins, GA*
OCONUS Pacific* OCONUS Europe OCONUS Bahrain (TECC)

*Closing in FY 2017

The Computing Services business area provides information processing for the entire gamut of combat support functions, such as transportation, logistics, maintenance, munitions, engineering, acquisition, finance, medical, and military personnel readiness. The applications hosted on the mainframes and servers enable the DoD components to:

- Provide for the command and control of operating forces
- Ensure weapon systems availability through management and control of maintenance and supply
- Ensure global force mobility through management and maintenance of the airlift and tanker fleets
- Provide sustainment through resupply and reorder capabilities
- Provide operating forces with information on the location, movement, status, and identity of units, personnel, equipment and supplies
- Manage the information for the medical environment and patient care
- Support DoD business, contracting, financial, payroll and eBusiness applications

Following guidance from the DoD CIO, DISA continues to evolve the existing data centers' capabilities to establish the primary foundation for DoD's Core Data Centers under the JIE. This budget submission includes continued alignment of the DECC footprint to the core and regional data center strategy outlined in the DoD Information Technology Enterprise Services Roadmap (ITESR) initial implementation plan. Each of the DISA data centers will meet the standards outlined in the ITESR to include facilities/physical attributes, delivery of enterprise services, security/information assurance attributes, standardized operations/performance, and formation of an Enterprise "Cloud" through an integrated data center infrastructure management capability.

Highlights

As previously mentioned, this submission includes the closure of DECCs Warner Robins and Pacific in December of 2016. The depreciation costs at these sites are treated as non-recoverable.

Computing Services provides a variety of enterprise infrastructure services that continue to move the Department's data processing toward more centralized and standardized solutions. The Enterprise infrastructure enables a collaborative environment and trusted information sharing end-to-end that can adapt to rapidly changing conditions with the goal of *protected data on protected networks*. DoD Enterprise Email, DoD Enterprise Portal Service, Global Content Delivery Service, milCloud, and ATAAPS are capabilities that align with this strategic vision and leverage the power of the DECCs on the Department of Defense Information Network. These services are discussed in further detail below:

DoD Enterprise Email (DEE) has officially been designated by DoD CIO as the enterprise email capability for the Department. DEE provides enterprise email capability to the end user at any location globally in a secure manner. DEE is constructed to support the deployment of email capability for 4.5 million users and a global address list (GAL) scaled to support 10 million objects (e.g., DoD common access card (CAC) personas and non-person entities (NPEs)). Using a modular design, DISA has the ability to grow capacity as required.

DISA's design provides redundancy both locally and remotely for all components of the system. The email service features Pods which are the primary core of the service, and Mini-Pods providing coverage to the edge. DEE Pods and mini-Pods contain the distributed capacity architecture across CONUS and OCONUS DECCs, while the Mini-Pods are hosted at non-DECC customer sites. Mini-Pod infrastructure may be deployed as needed to customer sites to support mission continuity of operations and to alleviate network distance constraints and bandwidth congestion. Each current Pod allows for approximately 50,000–75,000 business class users and 27,000–30,000 remote users. Mini-Pods have the capacity to service approximately 30,000 users and are scalable to suit customer requirements.

The DEE service provides the Basic/Business offering for those users requiring up to 4GBs of storage, the Premium offering for accounts requiring up to 10GBs of storage, the Executive offering for accounts requiring up to 30GBs of storage, and a Platinum Executive offering for accounts requiring up to 50GBs of storage.

Additionally, optional capabilities such as journaling and mobile device support are available to customers at an additional charge. Journaling is a service that permanently saves each message that a specified user sends or receives and may be required for some flag officers, high ranking appointees and Senior Executive Service members. Customers will be charged based on the number of gigabytes of storage used. Furthermore, DISA is offering a service to provide mobile support to customers billed on a per device basis. This service supports legacy BlackBerry devices and has now been enhanced to also support the new BlackBerry 10 (i.e. BBZ10) smart-phone capability.

DISA is currently examining a follow-on service offering for DoD email requirements, which will be a cloud-based service that provides a comprehensive replacement to the current DEE with an intended award in FY 2018.

DoD Enterprise Portal Service (DEPS) is a Software as a Service (SaaS) offering that provides a flexible, web-based collaboration capability to the DoD enterprise. DEPS administrators create site collections and provide DoD Components the ability to independently create and manage their organization, community and mission-focused sites. DEPS supports multiple authentication mechanisms to include Common Access Cards (CAC), Hard Token, and Personal Identity Verification (PIV).

Subscribing organizations brand their sites and manage their content in order to satisfy mission requirements. Mission partners with Client Access Licenses (CALs) will have the platform to include a suite of MS Office Web applications—the Web browser versions of Word, PowerPoint, Excel and OneNote. DEPS provides location and device-independent access to documents and preserves the user interface across end user devices.

Global Content Delivery Service (GCDS) has been designated as the DoD enterprise solution for distributed content caching by the DoD CIO. GCDS provides the capability to bring web content and applications closer to the end-user, minimizing download times and increasing connection speeds by forward-staging information across the Defense Information Systems Network (DISN). The service currently covers 85 regions and is in 12 countries around the world. In certain cases, GCDS hardware is hosted at Defense Enterprise Computing Centers, but is also hosted in bases, camps, and stations around the world. Beginning FY 2017, GCDS services will be priced and sold by solution to give mission partners more flexibility. The GCDS solutions are web application delivery, netstorage, and web application firewall. Customers requiring customization of their GCDS environment work with DISA Computing Services and are charged on a reimbursable basis for implementation costs, including consulting and advanced engineering services.

The DISA's ***milCloud*** service is a Joint Information Environment (JIE) cloud-services product portfolio featuring an integrated suite of capabilities designed to drive agility in the development, deployment, and maintenance of secure DoD applications. MilCloud is an Infrastructure as a Service (IaaS) solution that leverages a combination of mature Commercial off the Shelf (COTS) and government developed technology to deliver cloud services tailored to the needs of DoD. It features a shared, virtualized computing infrastructure environment known as a Virtual Data Center (VDC). Consumption of computing resources within the VDC is enabled via a self-service, on-demand web-based management interface. Within a VDC, resources can be configured and managed by the mission partner with a high degree of flexibility and self-service control, or resources can be configured automatically by the milCloud orchestrator. Other benefits include economies of scale through resource pooling, reduced spending on excess idle and redundant computing infrastructure, and fewer DISA interactions necessary to provision resources.

DoD Automated Time and Attendance Production System (ATAAPS) is a Human Resource Management System (HRMS) that provides information to downstream payroll processing by

the Defense Civilian Payroll System (DCPS), entitlement systems, and in some cases enterprise resource planning (ERP) business systems. ATAAPS provides the ability to accurately record time and attendance while capturing labor hours by job order. ATAAPS creates a common platform for the DoD Agencies, Military Services, and Other Government Agencies (OGA) who use DCPS as their civilian payroll system of record. ATAAPS helps to ensure agencies can easily and effectively enter, validate, certify, audit, and transmit records to DCPS.

New Services

Computing Services continues to establish a variety of new services to support our mission partners worldwide. Beginning this budget cycle, the following services will be offered to our customer base. These services are discussed in further detail below:

milCloud 2.0 is an emerging project that will establish a commercial infrastructure-as-a-service (IaaS) environment in DoD data centers that will be connected to DoD networks and have unclassified workloads transitioned to and stored in the commercial IaaS solution. These information technology (IT) services will be provided under a “pay for usage” concept. This concept will provide customers the cost benefit of moving away from monthly or yearly fees to incorporate a model that will allow them to solely pay for their usage. Pricing for this service has not yet been established.

Strategic Knowledge Integration Web (SKIWeb) provides a net-centric, asynchronous, collaborative event management capability that includes features and capabilities designed to reduce information overload and improve user effectiveness at the Enterprise level. SKIWeb has evolved into one of the DoD's most widely utilized web-based tools and is used to rapidly gather and disseminate critical information on real world events such as natural disasters and terrorist attacks, as well as day-to-day activities. The user base covers over 200 commands, agencies, and organizations to include coalition Partners. Any worldwide SIPRNet or Joint Worldwide Intelligence Communications System (JWICS) user that has a vested interest in or can inject pertinent information on an event of interest is a potential SKIWeb user. The cooperative efforts of the entire warfighter community can provide situational awareness on a scale never before envisioned and can supply decision makers with even the smallest details necessary to make informed, accurate decisions.

Forge.mil is a family of enterprise services which provides for collaborative development and IT project management through the full application lifecycle. It is available as an open community service supporting anyone affiliated with the DoD, or as a private service, and is maintained on both the unclassified and classified networks. This service offering provides a 'DoD-internal' collaborative development environment with application lifecycle management tools such as software version control, bug/issue tracking, requirements management, and project reporting as well as collaboration tools such as project wikis, discussion forums, project mailing lists and document management. These capabilities allow geographically dispersed project team members to securely access and manage all project assets in a single location. The system currently enables the collaborative development and use of open source and DoD community source software.

The ***Vulnerability Management*** service offers scanning and reporting to provide threat management, vulnerability monitoring and analysis, and host based security monitoring and analysis. This service is only available initially to milCloud mission partners but will expand to other non-hosted or cloud based service offerings in the future. Customers who pay milCloud Plus or Basic Services receive this service already. Mission partners are charged monthly on the number of programs of record and also on the number of endpoints.

milCloud Dedicated VPN is an add-on service that provides milCloud mission partners the ability to field and control VPN access to their virtual data center(s) (VDCs). This offering has two billing components. The first is a one-time implementation fee charged per VDC and is based on the estimated labor cost to set up each VPN. The second component is a monthly usage charge per blocks of five users and essentially recovers the software licensing cost for the service.

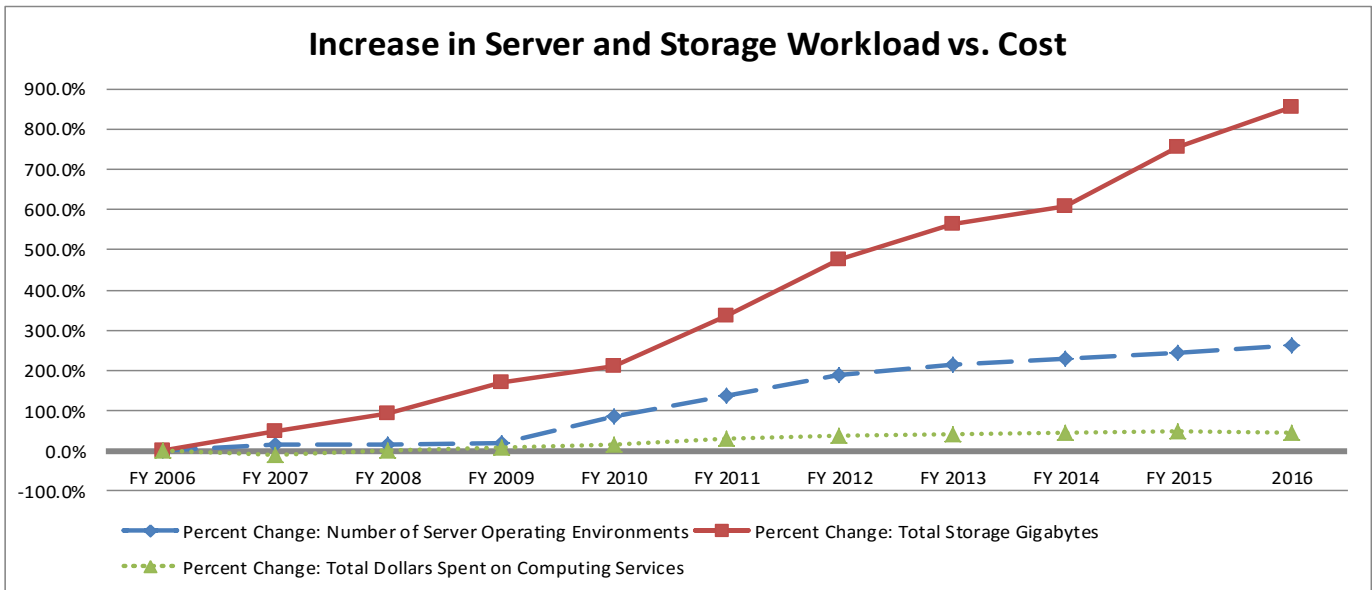
milCloud IaaS Log View provides milCloud mission partners the ability to collect, view, and archive Edge Gateway logs. Mission partners who opt to use this service are billed based on the number of Edge Gateways being utilized.

milCloud Premium Engineering provides Mission Partners direct short term access to a team of milCloud specialists that can provide engineering support for their milCloud implementation and provide Virtual Data Center (VDC) design and configuration expertise. Support levels are based on a monthly allocation of labor hours and are offered in Bronze, Silver and Gold options.

Cyber Compliance Unisys is a mandatory service for all systems requiring financial statement audits as defined in the FIAR list. This service delivers independent audit opinions for DISA general controls, supporting evidence for general controls to support Mission Partner audit readiness requirements (within 72 business hours of request), and application-specific evidence in support of Mission Partner readiness requirements (3 requests quarterly) within 72 business hours.

Computing Services Trends: Increasing Workload and Efficiency

As shown in the subsequent table, demand for DISA’s server and storage computing services has grown significantly since FY 2006. Since that year, the number of customer driven server operating environments (OEs) has increased by 279 percent, and total storage gigabytes have increased by 826 percent. Over the same timeframe, the cost to deliver all computing services has increased by only 44 percent. In short, customers are demanding considerably more services and are at the same time benefiting from DISA’s unique ability to leverage robust computing capacity at the DECCs.



MAJOR CHANGES BETWEEN FISCAL YEARS

Computing Services Cost of Operations

(\$ in millions)	FY 2016	FY 2017	FY 2018
FY 2017 President's Budget	\$985.2	\$965.9	-
FY 2018 Current Estimates	\$952.5	\$955.8	\$967.5
Change FY 2017 President's Budget to Current Estimate	(\$32.6)	(\$10.1)	-
Change FY 2017 Current Estimate to FY 2018 Current Estimate	-	-	\$11.7

*Fiscal Year 2016 data are actual results.

FY 2017 President's Budget Submission to FY 2017 Current Estimate

Computing Services' FY 2017 cost of operations decreases by a net of -\$10.1 million from the FY 2017 President's Budget.

Included in this change are total savings and other reductions of -\$52.3 million, due to: reduced estimates for transition costs associated with the closures of DECCs Pacific and Warner Robins (-\$5.1 million); contractor and civilian labor reductions due to increased staffing ratios, hiring delays, contract pricing, and other labor efficiencies (-\$29.0 million); savings on capacity services contracts for storage, processor, and communications equipment (-\$9.8 million); reduced storage and maintenance costs for Defense Enterprise Email (-\$3.7 million); reduced contract costs for the Global Content Delivery Service (-\$2.4 million); and reduced workload and contract requirements for milCloud (-\$1.7 million).

These savings and workload reductions are partially offset by cost increases totaling +\$42.1 million. Of this amount, +\$12.5 million is due to the new requirement to establish the Enterprise Privileged User Authentication Service (EPUAS)/Virtual Desktop Infrastructure (VDI), and +\$12.2 million due to an increase in workload estimate for the Enterprise Resource Planning (ERP) converged solutions. In addition, costs increase by +\$2.9 million due to maintenance for software capital projects, +\$2.5 million due to the new allocation of costs for the DISN Infrastructure Service, +\$1.4 million due to increased utility costs at various sites, +\$0.9 million for VSIP/VERA payout, +\$2.4 million for a one-time settlement payment for a software contract, +\$0.3 million due to software purchase to support ATAAPS, and +\$0.2 million due to slight increase in civilian labor to support DEPS. New requirements to establish the milCloud 2.0 and Forge.mil service offering will increase costs by +\$2.8 million and +\$3.2 million, respectively. Other miscellaneous costs are increased by +\$0.8 million.

FY 2017 Current Estimate to FY 2018 Current Estimate

The cost of operations from FY 2017 to FY 2018 is expected to increase by a net of +\$11.7 million.

Included in this estimate are cost increases totaling +\$40.6 million. Of this amount, +\$18.1 million is due to inflation, +\$1.7 million is due to a slight increase in requirements on the capacity service contract for communications, +\$5.0 million is due an increase in depreciation as a result of the completion of capital projects, and +\$3.2 million increase for various follow on contracts for Tech Support. Additionally, Infrastructure-as-a-Service (IaaS) contract costs increase +\$4.9 million to support milCloud 2.0 due to workload growth, a full year of funding the Omnibus Tech Support contract increases costs +\$3.0 million to support the Forge.mil service offering, the new requirement to establish the SKIWeb service offering will increase costs +\$2.0 million, and +\$0.5 million for an increase in the DISN Infrastructure Services bill. Finally, an increase of +\$2.1 million is due to increased workload to support the ERP converged solutions.

The cost increases are partially offset by total reductions of -\$29.0 million. These reductions are made up of the following: -\$1.3 million in civilian labor reductions across the DECCs; -\$11.9 million reduction due to renegotiations of various contracts; -\$3.3 million due to facilities and office automation efficiencies; -\$2.3 million due to a reduction in software costs to support capacity services for Information Technology Services Management (ITSM); -\$1.7 savings associated with the award of the new storage capacity service contract; -\$0.3 million in training, travel, and other discretionary spending reductions; -\$3.4 million due to the removal of one-time DECC transition costs; -\$2.4 million due to a one-time software contract settlement payment in FY 2017; -\$0.7 million due to the reduction of VSIP/VERA payout; -\$0.3 million decrease in software costs to support ATAAPS; and -\$0.2 million due to the reduced costs to support EPUAS/VDI. Other miscellaneous costs are reduced by -\$1.1 million.

Capital Investment Program Summary: Computing Services

(\$ in millions)	FY 2016*	FY 2017	FY 2018
Equipment	\$27.6	\$35.0	\$37.0
ADPE and Telecom	\$0.0	\$11.5	\$28.1
Software	\$4.0	\$13.9	\$11.8
Minor Construction	\$0.5	\$1.8	\$2.5
Total Program Authority	\$32.2	\$62.1	\$79.4
FY 2017 President's Budget	\$46.5	\$39.8	
Change FY 2017 President's Budget to Current Estimates	(\$14.3)	\$22.3	-
Change FY 2017 Current Estimate to FY 2018 Current Estimate	-	-	\$17.3

*FY 2016 data are actual obligations.

FY 2017 President's Budget to FY 2017 Current Estimates:

There is a net increase of +\$22.3 million from the FY 2017 President's Budget. Of this, there is an increase of \$10.0 million in ADPE and Telecom equipment capabilities to support the Virtual Desktop Infrastructure requirement, +\$8.4 million in software upgrades to support the DoD Enterprise Email and Virtual Desktop Infrastructure requirements, and an increase of +\$4.0

million in non-ADPE equipment due to the addition of projects which will allow the DECC's to reduce their Power Usage Effectiveness (PUE) and assist in meeting the Federal CIO Mandate and data center portions of the Federal Sustainability Executive Order 13693 signed in March of 2015.

FY 2017 Current Estimate to FY 2018 Current Estimate:

There is a +\$17.3 million net increase in capital requirements from FY 2017 to FY 2018. This is due to an increase of +\$16.6 million to support the Virtual Desktop Infrastructure requirement, +\$2.0 million increase in facilities equipment, and a slight increase of +\$0.8 million for minor construction at facilities in need of cyclical upgrades to their infrastructure and equipment. This is partially offset by a decrease of -\$2.1 million for software development.

Civilian Personnel

(\$ in millions)	FY 2016*	FY 2017	FY 2018
Civilian End Strength	1,705	1,782	1,748
Civilian Full Time Equivalents	1,735	1,710	1,710
Civilian Labor Cost	\$230.9	\$206.7	\$208.8

*Fiscal Year 2016 data are actual results.

Civilian manpower decreases from FY 2016 to FY 2017 by -25 full time equivalents (FTEs), however the end strength increases by +77 billets. This discrepancy is mainly attributed to the reduction of positions in FY 2016 due to VSIP/VERA offerings and the consolidation of the Service Support Environment (SSE) help desk. Positions will be filled throughout FY 2017 with an aggressive hiring plan in the third and fourth quarter to reach appropriate staffing levels.

Civilian FTEs stay level from FY 2017 to FY 2018 but the end strength decreases by -34 billets. The decrease in positions is mainly attributed to agency directed civilian labor reductions. Computing Services is able to maintain a zero FTE change due to the increased staffing levels attained in the third and fourth quarter of FY 2017, which results in a full year of filled billets in FY 2018.

Military Personnel

(\$ in millions)	FY 2016*	FY 2017	FY 2018
Military End Strength	6	5	5
Military Labor Costs	\$0.9	\$0.8	\$0.8

*Fiscal Year 2016 data are actual results.

This submission represents the three year average fill rate for Computing Services in accordance with DoD financial policy.

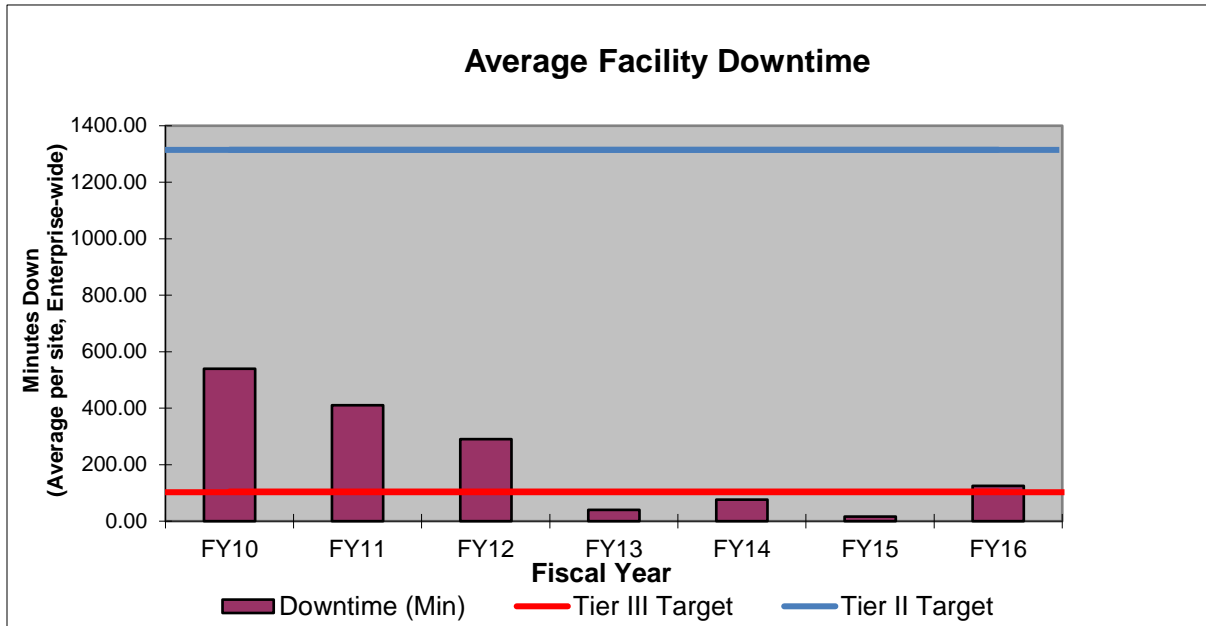
Performance Measures

DISA's information services play a key role in supporting the Department's operating forces. As a result, DISA is held to high performance standards. In many cases, performance measures are detailed in Service Level Agreements (SLAs) with individual customers that exceed the general performance measures discussed in the remainder of this section.

Computing Services Performance Measures

The two metrics depicted in the subsequent tables reflect the availability of critical applications in the Defense Enterprise Computing Centers. The first metric, "Core Data Center Availability," expressed as a percentage of availability, represents application availability from the end user's perspective and includes all outages or downtime regardless of root cause or problem ownership. Tier II requires achieving 99.75% availability, which results in about 1,315 minutes of downtime per year. Tier III, the standard for all DoD-designated Core Data Centers, requires achieving 99.98% availability, which results in about 105 minutes of downtime per year. The failure to meet the Tier III goal in FY 2016 is a result of a single electrical failure at a single DECC, which exceeded the goal of 105 minutes or less of downtime per year. The second metric, "Capacity Service Contract Equipment Availability" represents DISA's equipment availability by technology, i.e., how well DISA is executing its responsibilities exclusive of factors outside the agency's control such as last mile communications issues, base power outages or the like. The *Threshold* refers to system uptime and capacity availability for intended use; this is the level required by contract. The *Objective* is the value agreed on by the vendor and the government to be an ideal target, and *Actual* is reported by the vendor monthly.

Core Data Center Availability



Capacity Service Contract Equipment Availability

Technology	Threshold	Objective	Actual
IBM System z Mainframe	99.95%	99.99%	100%
Unisys Mainframe	99.95%	99.99%	99.999%
P Series Server	99.95%	99.99%	100%
SPARC Server	99.95%	99.99%	100%
x86 Server	99.95%	99.99%	99.999%
Itanium	99.95%	>99.95%	99.998%
Storage	99.95%	>99.95%	99.999%
Communications Devices	99.95%	>99.95%	99.97%

Computing Services FY 2018 Rates

This submission includes a composite 1.90 percent rate increase in FY 2018. DISA Computing Services' budget has two basic methods of cost recovery: stabilized fixed rates and direct reimbursement of actual cost. The charts below show the rates by category:

Mainframe, Storage, Reimbursable, and milCloud Rates

Mainframe Rates	FY 2017	FY 2018
* CPU Usage (Hour/Month)	\$431.6201	\$439.8209
* IBM LINUX (Hour/Month)	\$29.6417	\$30.2049
* IBM ZIIP CPU (Hour/Month)	\$396.8040	\$404.3433
* DASD (GB/Day)	\$0.3202	\$0.3263
* IBM Long Term Storage (GB/Day)	\$0.2135	\$0.2176
* SUPS (Hour/Month)	\$16.9318	\$17.2535
* Unisys Storage (GB/Day)	\$20.8947	\$21.2917
Storage Rates	FY 2017	FY 2018
Enterprise Disk RAID 5 (GB/Month)	\$0.6969	\$0.7101
Enterprise Disk RAID 10 (GB/Month)	\$1.1504	\$1.1723
Tier 2 Disk RAID 5 (GB/Month)	\$0.3812	\$0.3884
Shared COOP (GB/Month)	\$0.5804	\$0.5914
Backup Service (GB/Month)	\$0.3902	\$0.3976
Dedicated COOP SAN Replication (GB/Month)	\$1.3095	\$1.3344
* Converged Storage (GB/Month)	\$0.2500	\$0.2500
Reimbursable Service Rates	FY 2017	FY 2018
* Cyber Compliance - IBM Mainframe (Hour/Month)	\$2.62	\$2.62
* Cyber Compliance - Open Systems (OE/Month)	\$362.50	\$362.50
milCloud Rates	FY 2017	FY 2018
* milCloud - Base Unit (Per Unit/Day)	\$3.54	\$3.61
* milCloud - Storage (GB/Day)	\$0.0146	\$0.0149
* milCloud - Backup Storage (GB/Day)	\$0.0093	\$0.0095
* milCloud - Memory (2GB/Day)	\$0.72	\$0.73
milCloud Plus (vCPU/Month)	\$247	\$252

Server Rates

Server Rates	FY 2017	FY 2018
Basic Services Virtual (vCPU or Core/Month)	\$371	\$378
Class 1 - Basic Services Physical (OE/Month)	\$2,104	\$2,144
Class 2 - Basic Services Physical (OE/Month)	\$2,812	\$2,865
Class 3 - Basic Services Physical (OE/Month)	\$3,102	\$3,161
SPARC LDOM Processor (Core/Month)	\$248	\$253
H/W Services Virtual SPARC Memory (GB/Month)	\$4.05	\$4.13
Class 1 - Physical SPARC Hardware (OE/Month)	\$1,644	\$1,675
Class 2 - Physical SPARC Hardware (OE/Month)	\$3,294	\$3,357
Class 3 - Physical SPARC Hardware (OE/Month)	\$8,453	\$8,614
Class 1 - Physical Itanium Hardware (OE/Month)	\$2,959	\$3,015
Class 2 - Physical Itanium Hardware (OE/Month)	\$4,043	\$4,120
Class 3 - Physical Itanium Hardware (OE/Month)	\$9,973	\$10,162
x86 VOE Processor (vCPU/Month)	\$73	\$74
H/W Services Virtual x86 Memory (GB/Month)	\$2.62	\$2.67
Class 1 - Physical x86 Hardware (OE/Month)	\$359	\$366
Class 2 - Physical x86 Hardware (OE/Month)	\$599	\$610
Class 3 - Physical x86 Hardware (OE/Month)	\$3,710	\$3,780
Virtual Itanium Oracle Database Software (Core/Month)	\$445	\$453
Class 1 - Itanium Oracle Database Software (OE/Month)	\$5,368	\$5,470
Class 2 - Itanium Oracle Database Software (OE/Month)	\$10,726	\$10,930
Class 3 - Itanium Oracle Database Software (OE/Month)	\$16,088	\$16,394
Virtual x86 & SPARC Oracle Database Software (vCPU or Core/Month)	\$223	\$227
Class 1 - x86 & SPARC Oracle Database Software (OE/Month)	\$2,682	\$2,733
Class 2 - x86 & SPARC Oracle Database Software (OE/Month)	\$5,358	\$5,460
Class 3 - x86 & SPARC Oracle Database Software (OE/Month)	\$8,044	\$8,197
Application Support (OE/Month)	\$929	\$947
Database Administration (OE/Month)	\$1,556	\$1,586

Enterprise Services and New Services rates

Enterprise Services Rates	FY 2017	FY 2018
ATAAPS (Account/Month)	\$0.86	\$0.88
Enterprise Email - Business (Account/Month)	\$3.22	\$3.28
Enterprise Email - Blackberry (Device/Month)	\$2.70	\$2.75
Enterprise Email - Journaling (GB/Month)	\$0.39	\$0.40
* Enterprise Email - Premium (Account/Month)	\$10.70	\$10.90
* Enterprise Email - Executive (Account/Month)	\$19.27	\$19.64
* Enterprise Email - Senior Executive (Account/Month)	\$28.55	\$29.09
* DEPS - Medium Shared NIPR (Per User/Month)	\$4.31	\$4.31
* DEPS - Small Shared SIPR (Per User/Month)	\$11.00	\$11.00
NEW Proposed Rate Offerings	FY 2017	FY 2018
** Cyber Compliance - Unisys Mainframe (SUPS/Month)	\$0.24	\$0.24
** Vulnerability Management - Program (Program/Month)	\$825.01	\$825.01
** Vulnerability Management - Endpoints (Endpoint/Month)	\$28.27	\$28.27
** milCloud - Dedicated VPN (User Block/Day)	\$36.83	\$36.83
** milCloud - IaaS Log View (Edge Gateway/Day)	\$24.43	\$24.43
** milCloud - Premium Engineering: Bronze (One Time)	\$1,646.00	\$1,646.00
** milCloud - Premium Engineering: Silver (One Time)	\$3,291.00	\$3,291.00
** milCloud - Premium Engineering: Gold (One Time)	\$8,229.00	\$8,229.00
** milCloud - Dedicated VPN Implementation (One Time)	\$277.22	\$277.22
** GCDS - URL Web Delivery (URL/Month)	\$2,902.47	\$2,565.86
** GCDS - Net Storage (TB/Month)	\$11,530.00	\$10,192.81
** GCDS - Web Application Firewall (Unit/Month)	\$1,026.46	\$907.41
** GCDS Implementation - URL Web Delivery (One Time)	\$40,000.00	\$40,000.00
** GCDS Implementation - Net Storage (One Time)	\$20,000.00	\$20,000.00
** GCDS Implementation - Wide Area Firewall (One Time)	\$40,000.00	\$40,000.00
** Forge.mil - Project Forge Small (User/Month)	\$1,552.68	\$1,552.68
** Forge.mil - Project Forge Medium (User/Month)	\$3,881.70	\$3,881.70
** Forge.mil - Project Forge Large (User/Month)	\$15,526.78	\$15,526.78
** Forge.mil - Software Forge (Project/Month)	\$620.23	\$620.23
*** milCloud 2.0	TBD	TBD
***SKIWeb	TBD	TBD

*These services are unstabilized in FY17 and FY18 and may be updated in execution to recover actual costs.

**New service offerings to be effective FY17. These services are unstabilized in FY17 and FY18 and may be updated in execution to recover actual cost.

***Pricing for this service has not yet been established.

Changes in the Costs of Operations
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Millions)

FY 2016	Estimated Actual	952.542
FY 2017	Estimate in FY 2017 President's Budget	965.945
	<i>Savings:</i>	
	Reduction in the projected transitions costs associated with the closures of DECCS Pacific and Warner Robins	(5.127)
	Contractor and civilian labor cost reductions due to increased staffing ratios, hiring delays, contract pricing, and other labor efficiencies	(29.033)
	Savings on capacity services contracts for storage, processor, and communications equipment	(9.768)
	Reduced contract costs for Global Content Delivery Service (GCDS)	(2.359)
	Statement on Standards for Attestation Engagement (SSAE16) contract reduction to support the cyber compliance readiness service	(0.250)
	Gartner annual subscription no longer a requirement	(0.147)
	Permanent Change of Stations (PCS) and Training reductions mostly offset by an increase in Travel and Overtime	(0.209)
	<i>Program Changes:</i>	
	Reduced costs for DoD Enterprise Email (DEE) due to revised estimates for storage, and reduced maintenance costs attributed to revised phasing of the Comm Stack Upgrades and associated hardware decommissioning	(3.699)
	Revised workload estimates for milCloud resulted in reduced HW, SW and storage requirements	(0.616)
	New requirement to establish the Enterprise Privileged User Authentication Service (EPUAS)/Virtual Desktop Infrastructure (VDI)	12.508
	Software maintenance for Software Capital projects	2.880
	Increase due to the new allocation of costs for the DISN Infrastructure Services	2.533
	One-time settlement payment for a legal claim	2.431
	Updated costs for facility projects and utilities at DECCs	1.431
	Payout for VSIP/VERA	0.925
	Software purchase to support ATAAPS	0.342
	Increase in program management labor costs for the DoD Enterprise Portal Service (DEPS), partially offset by a decrease in storage costs	0.247
	Inclusion of workload and cost for new milCloud 2.0 and Forge.mil service offerings	5.934
	<i>Workload Changes:</i>	
	Revised workload projections for Enterprise Resource Planning (ERP) converged solutions	12.160
	Reduction in milCloud	(1.104)
	<i>Miscellaneous</i>	0.782
FY 2017	Current Estimate	955.806

Changes in the Costs of Operations
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Millions)

FY 2017	Current Estimate	955.806
	<i>Pricing Adjustments:</i>	
	Non-Labor Inflation	14.269
	Civilian/Military Pay Raise	3.153
	Annualization of Civilian/Military Pay Raise	0.719
	<i>Savings:</i>	
	Contract efficiencies based on re-negotiations	(11.893)
	Civilian labor reductions across the DECCs	(1.298)
	Facilities and office automation efficiency	(3.324)
	Reduction in Software costs to support capacity services for Information Technology Services Management (ITSM)	(2.348)
	Savings associated with the award of the new Storage Capacity Services contract	(1.670)
	Reductions in travel, training, and other discretionary costs	(0.251)
	<i>Program Changes:</i>	
	Removal of one-time transition costs associated with FY 2017 DECC closures	(3.373)
	Removal of one-time payment for a legal claim settlement in FY 2017	(2.431)
	Increased bill for DISN Infrastructure Services	0.509
	Removal of one-time costs for FY 2017 VSIP/VERA	(0.675)
	Reduction in software costs to support ATAAPS	(0.342)
	Reduction in costs for Enterprise Privileged User Authentication Service (EPUAS)/Virtual Desktop Infrastructure (VDI) requirement	(0.239)
	Increase in depreciation expenses due to completion of capital projects	5.029
	Increase in costs for various follow-on contracts for tech support	3.193
	Increase in capacity services contract requirements for communications	1.683
	Increase in costs for milCloud 2.0 service offering due to workload driving costs up for the Infrastructure-as-a-Service (IaaS) contract	4.926
	Increase in costs for Forge.mil service offering due to Omnibus tech support contract being fully funded in FY18	2.992
	New requirement to establish the SKIWeb service offering	2.044
	<i>Workload Changes:</i>	
	Increase in workload for the Enterprise Resource Planning (ERP) converged solutions	2.060
	<i>Miscellaneous</i>	(1.069)
FY 2018	Current Estimate	967.471

Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
May 2017
(Dollars in Millions)

	2016	2017	2018
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$509.527	\$531.402	\$557.561
ARMY APPROPRIATED	\$127.678	\$123.846	\$128.338
Army O&M	\$127.105	\$123.442	\$127.925
Army RDT&E	\$0.268	\$0.257	\$0.264
Army Procurement	\$0.305	\$0.147	\$0.149
Army MILCON	\$0.000	\$0.000	\$0.000
Army BRAC	\$0.000	\$0.000	\$0.000
NAVY APPROPRIATED	\$26.857	\$28.121	\$29.880
Navy O&M	\$26.549	\$27.741	\$29.493
Navy RDT&E	\$0.308	\$0.380	\$0.387
Navy Procurement	\$0.000	\$0.000	\$0.000
Navy MILCON	\$0.000	\$0.000	\$0.000
Navy BRAC	\$0.000	\$0.000	\$0.000
MARINE CORPS APPROPRIATED	\$31.118	\$32.422	\$33.116
Marine Corps O&M	\$31.118	\$32.422	\$33.116
Marine Corps RDT&E	\$0.000	\$0.000	\$0.000
Marine Corps Procurement	\$0.000	\$0.000	\$0.000
Marine Corps MILCON	\$0.000	\$0.000	\$0.000
Marine Corps BRAC	\$0.000	\$0.000	\$0.000
AIR FORCE APPROPRIATED	\$111.106	\$116.369	\$119.447
AF O&M	\$100.251	\$107.545	\$110.451
AF RDT&E	\$10.782	\$8.779	\$8.951
AF Procurement	\$0.073	\$0.045	\$0.045
AF MILCON	\$0.000	\$0.000	\$0.000
AF BRAC	\$0.000	\$0.000	\$0.000
DISA APPROPRIATED	\$81.231	\$84.278	\$92.162
DISA O&M	\$80.695	\$83.945	\$91.823
DISA RDT&E	\$0.415	\$0.305	\$0.311
DISA Procurement	\$0.121	\$0.028	\$0.028
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DEFENSE WIDE APPROPRIATED	\$38.145	\$36.025	\$36.683
Defense Wide Appropriated O&M	\$38.009	\$35.986	\$36.644
Defense Wide Appropriated RDT&E	\$0.133	\$0.036	\$0.036
Defense Wide Appropriated Procurement	\$0.003	\$0.003	\$0.003
Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
Defense Wide Appropriated BRAC	\$0.000	\$0.000	\$0.000
OTHER DoD APPROPRIATED	\$93.392	\$110.341	\$117.935

Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
May 2017
(Dollars in Millions)

	2016	2017	2018
Other DoD Appropriated O&M	\$85.112	\$109.773	\$117.360
Other DoD Appropriated RDT&E	\$4.562	\$0.568	\$0.575
Other DoD Appropriated Procurement	\$3.718	\$0.000	\$0.000
Other DoD Appropriated MILCON	\$0.000	\$0.000	\$0.000
Other DoD Appropriated BRAC	\$0.000	\$0.000	\$0.000
b. ORDERS FROM DWCF/REVOLVING FUNDS	\$451.862	\$411.172	\$422.188
ARMY - WCF	\$0.702	\$0.493	\$0.500
Army Industrial Operations	\$0.702	\$0.493	\$0.500
NAVY - WCF	\$25.615	\$20.359	\$20.815
Navy Depot Maintenance	\$3.689	\$2.708	\$2.745
Navy Base Support	\$0.000	\$0.000	\$0.000
Navy Supply Management	\$12.791	\$11.229	\$11.405
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance WCF	\$0.083	\$0.056	\$0.057
Other Navy Activity Groups	\$9.052	\$6.366	\$6.608
AIR FORCE - WCF	\$31.528	\$29.073	\$29.554
Consolidated Sustainment Activity Group (CSAG)	\$11.933	\$11.709	\$11.884
US Transportation Command (TRANSCOM)	\$19.595	\$17.364	\$17.670
DEFENSE WIDE WCF	\$392.979	\$360.230	\$370.301
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	\$112.930	\$71.289	\$73.103
DISA Computing Services (CSD)	\$0.000	\$0.000	\$0.000
Defense Finance and Accounting Service (DFAS)	\$95.003	\$99.102	\$101.052
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$0.000	\$0.000	\$0.000
DLA Supply Chain Management	\$185.046	\$189.839	\$196.146
DEFENSE COMMISSARY AGENCY (DECA)	\$0.002	\$0.002	\$0.002
DECA Commissary Operations	\$0.002	\$0.002	\$0.002
DECA Commissary Resale	\$0.000	\$0.000	\$0.000
Other - Working Capital	\$1.036	\$1.015	\$1.016
OTHER REVOLVING FUNDS	\$0.000	\$0.000	\$0.000
Corps of Engineers	\$0.000	\$0.000	\$0.000
National Defense Stockpile Transaction Fund	\$0.000	\$0.000	\$0.000
Pentagon Reservation Maintenance Revolving Fund	\$0.000	\$0.000	\$0.000
PRMRF/BMF	\$0.000	\$0.000	\$0.000
c. TOTAL DoD ORDERS	\$961.389	\$942.574	\$979.749
d. OTHER ORDERS	\$4.574	\$4.813	\$4.858

Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
May 2017
(Dollars in Millions)

	2016	2017	2018
OTHER FEDERAL AGENCIES	\$4.574	\$4.813	\$4.858
TRUST FUNDS	\$0.000	\$0.000	\$0.000
FOREIGN MILITARY SALES	\$0.000	\$0.000	\$0.000
TOTAL NEW ORDERS	\$965.963	\$947.387	\$984.607
2. Carry In Orders	\$0.000	\$0.000	\$0.000
3. TOTAL GROSS ORDERS	\$965.963	\$947.387	\$984.607

Revenue and Expenses
Defense Information Systems Agency
PE54 COMPUTING SERVICES
May 2017
(Dollars in Millions)

	2016	2017	2018
Revenue			
Gross Sales	\$965.963	\$947.387	\$984.607
Operations	\$944.604	\$925.900	\$958.092
Capital Surcharge	\$0.000	\$0.000	\$0.000
Capital Investment Recovery (CIR)	21.359	21.487	26.515
Other Income	\$0.000	\$0.000	\$0.000
Refunds/Discounts (-)	\$0.000	\$0.000	\$0.000
Total Income:	\$965.963	\$947.387	\$984.607
Costs			
Cost of Material Sold from Inventory	\$0.000	\$0.000	\$0.000
Salaries and Wages:	\$231.847	\$207.522	\$209.582
Military Personnel Compensation & Benefits	\$0.923	\$0.779	\$0.785
Civilian Personnel Compensation & Benefits	\$230.924	\$206.743	\$208.797
Travel & Transportation of Personnel	\$1.624	\$1.803	\$1.725
Materials & Supplies (For internal Operations)	\$0.494	\$0.747	\$0.701
Equipment	\$0.000	\$0.000	\$0.000
Other Purchases from Revolving Funds	\$21.217	\$24.230	\$23.061
Transportation of Things	\$0.338	\$0.098	\$0.152
Capital Investment Recovery	21.359	21.487	26.515
Printing and Reproduction	\$0.007	\$0.018	\$0.018
Advisory and Assistance Services	\$0.000	\$0.000	\$0.000
Rent, Comm, Utilities, & Misc. Charges	246.609	272.734	271.251
Other Purchased Services	\$429.047	\$427.167	\$434.466
Total Costs	\$952.542	\$955.806	\$967.471
Operating Results	13.421	(8.419)	17.136
Less Capital Surcharge Reservation	\$0.000	\$0.000	\$0.000
Less Recover Other	\$0.000	\$0.000	\$0.000
+ Passthrough or Other App. Affecting NOR			
- Passthrough or Other App. not Affecting NOR			
Other Adjustments Affecting NOR	\$0.000	\$0.000	\$0.000
Net Operating Results	\$13.421	(\$8.419)	\$17.136
Prior Year AOR	(\$45.066)	(\$31.645)	(\$39.500)
Other Changes Affecting AOR	\$0.000	\$0.564	\$0.000
Total AOR	(\$31.645)	(\$39.500)	(\$22.364)
Retained AOR	\$0.000	\$0.000	\$0.000
Cumulative Retained AOR	\$0.000	\$0.000	\$0.000
AOR for Budget Purposes	(\$31.645)	(\$39.500)	(\$22.364)

**DEPARTMENT OF DEFENSE
DEFENSE INFORMATION SYSTEMS AGENCY
Defense Working Capital Fund
Telecommunications Services/Enterprise Acquisition Services (TS/EAS)**

FISCAL YEAR (FY) 2018 BUDGET ESTIMATES

The *Telecommunications Services* component of the *Information Services Activity Group* provides a set of high quality, reliable, survivable, and secure telecommunications services to meet the Department's command and control requirements. The major component of *Telecommunications Services* is the Defense Information System Network (DISN), a critical component of the Department of Defense Information Network (DoDIN) that provides the Warfighter with essential access to timely, secure, and operationally relevant information to ensure the success of military operations. The DISN is a collection of robust, interrelated telecommunications networks that provide assured, secure, and interoperable connectivity for the Department of Defense, coalition partners, national senior leaders, combatant commands, and other federal agencies. Specifically, the DISN provides dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services. The robustness of this telecommunications infrastructure has been demonstrated by DISA's repeated ability to meet terrestrial and satellite surge requirements in Southwest Asia while supporting disaster relief and recovery efforts throughout the world. Overall, the DISN provides a lower customer price through bulk quantity purchases, economies of scale and reengineering of current communication services.

Since FY 2006, DISN services had been offered through two primary cost recovery approaches: the DISN Subscription Services (DSS) and DISN Reimbursable Services. Under the DSS, DISN services were bundled together in pre-defined packages and sold to mission partners on a subscription basis. In FY 2017, a new cost recovery methodology was implemented in which DISN Subscription Services was unbundled into DISN Infrastructure Services (DISN IS) and DISN End-User Services and transitioned to a consumption-based model that provides mission partners increased control over the services they receive and more appropriately aligns resources with mission partner requirements. The updated cost recovery model is discussed in more detail on subsequent pages. DISN Reimbursable Services are sold individually on a cost reimbursable basis in which a monthly charge is billed and collected from mission partners using these services and networks.

The *Enterprise Acquisition Services* component is the Department's ideal source for procurement of best-value and commercially competitive information technology. Enterprise Acquisition Services provides contracting services for information technology and telecommunications acquisitions from the commercial sector and provides contracting support to the DISN programs, as well as to other DISA, DoD, and authorized non-Defense customers. These contracting services are provided through the DISA's Defense Information Technology Contracting Organization (DITCO) and include acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration.

**Telecommunications Services/Enterprise Acquisition Services (TS/EAS)
Key Budget Data**

(\$ in millions)	FY 2016*	FY 2017	FY 2018
Revenue	\$5,832.6	\$7,218.1	\$7,682.7
Cost	\$5,780.1	\$7,226.0	\$7,657.9
Net Operating Result	\$52.4	(\$7.9)	\$24.7
Prior Year Accumulated Operating Results (AOR)	\$151.9	\$94.2	\$0.9
Other Adjustments Affecting NOR/AOR	\$0.0	\$17.4	\$0.0
Total AOR	\$204.3	\$103.7	\$25.6
Retained AOR	\$110.2	\$102.8	\$3.2
Total Retained AOR	\$110.2	\$213.0	\$216.2
AOR for Budget Purposes	\$94.2	\$0.9	\$22.4
Capital Budget	\$33.2	\$9.9	\$24.2
Civilian Work years	1,435	1,201	1,212
Military End Strength	66	21	21

*Fiscal Year 2016 data are actual results.

The table above provides a summary of the major financial accounts and personnel levels in this budget request. All data are best estimates of anticipated customer workload, the resulting Defense Working Capital Fund (DWCF) costs, and profit/loss. Our business areas continue to evolve and become interdependent cost centers of an integrated technical architecture. Therefore, the DISA assesses profit/loss factors holistically for rate setting and cash purposes. This approach minimizes rate fluctuations.

Telecommunications Services Program Structure

The table below illustrates DISA’s telecommunication service offerings and the major cost centers that support those offerings, including the updated layout of DISN services under the current cost center allocation:

DISN Program Element	Program Function	Program Sub-Function	Product Offering/Description
DISN INFRASTRUCTURE SERVICES	Transport	Bandwidth Management	Access
			Backbone
		Maintenance	
		Core Sustaining Activities	Warehousing
			Minor Equipment
			Installation
			Other Sustaining Activities
	IP Data Systems		
	Transport Support		
	Real Time Services	Voice	IP Voice
	Cyber Protection	Cyber Protection Activities	Enterprise Cross Domain Services
			Network Operations of Enterprise Infrastructure
			Network Hardening
			PKI and Directories
			Secure Configuration Management
Joint Regional Security Stacks (JRSS)			
Security and Assurance	Network Security Monitoring		
Centralized Services	Engineering and Logistics Management		
	IT Services Management Support		
	Operational Support Services (OSS)		
	Network Support Services (NSS)		
OTHER TELECOM SERVICES	Transport	Bandwidth Management	
	Real Time Services	Voice	Defense Switched Network (DSN)
		Video	Global Video Services (GVS)
	Satellite Services	Commercial Satellite Services (COMSAT)	Fix Satellite Services (FSS)
			Mobile Satellite Services (MSS)
		Enhanced Mobile Satellite Services (EMSS)	
	Voice Services	Joint Hawaii Information Transfer System (JHITS)	
		Pacific Enterprise Services - Hawaii (PES-HI)	
	Other Services	Organizational Messaging	
		Mobility	
		DoD COOP Integrated Network (DCIN)	
		Cross Domain Services (CDS)	
		Circuit Integration Support	
	Mission Assurance	Customer Funded Projects (CFP)	
		SIPRNet DMZ	
Security and Assurance	Public Key Infrastructure (PKI) (service to other Federal Agencies)		
	Cyberspace Defense Service Provider (CDSP) and IA Analysis		

DISN Infrastructure Services

The new DISN cost recovery model has replaced what was known as DISN Subscription Services. Services were unbundled and defined as either DISN Infrastructure Services (DISN IS) or moved to the DISN Reimbursable Services with per unit pricing. This change was predicated on technology and architecture changes and mission partner preference for a more consumption-based model of recovery where they have greater ability to influence their bill. The DISN IS model allocates to mission partners an overall percentage of ordered access circuit capacity as measured in megabits per second.

The revised cost recovery model is designed to allocate costs to mission partners based on consumption. However, the tools to measure consumption, by mission partner and in real-time, do not exist on the network today. As a result, the revised model uses access circuit capacity as a proxy for measuring consumption. The circuits and associated capacity are pulled from the World-Wide Online System (WWOLS) database, which is transparent and accessible by all DoD components. Once the data is aggregated, each customer is assigned a share of the DISN IS bill based on their percent of the total capacity across all customers. The DISA analyzes consumption (as measured by access circuit capacity) quarterly and use the average of the previous four quarters to set future DISN IS allocations. The new rate model does not count Multi-Protocol Label Switching (MPLS) connections and associated capacity as part of the allocation methodology. These connections are intentionally omitted to incentivize rapid adoption of the new technology across the Department. Once the DISA has fully transitioned the DISN backbone to MPLS technology, this allocation methodology will be reviewed to determine if it is more appropriate to use the actual customer usage data MPLS provides as the basis for future allocations.

DISN Infrastructure Services cost elements are described below:

Transport Services provide a robust worldwide capability to transmit voice, video, data and message traffic for the Combatant Commanders, Military Departments and Defense Agencies. Transport Services provide the information transport for other services described subsequently, as well as for specialized services. Transport Services are also responsible for the sustainment of transport and IP equipment (both Secure Internet Protocol Router Network (SIPR) and Non-classified Internet Protocol Router Network (NIPR)) at the DISN Service Delivery Nodes (SDN), management of communications backbone capacity of the DISN, and repair operations on all DISN equipment to ensure operability.

This budget includes growth from the FY 2017 President's Budget for an increase in circuit costs supporting user demand and major DoD initiatives, including Multiprotocol Label Switching (MPLS), Internet Protocol Transport-Provider Edge (IPT-PE) routers, increases of DISN backbone trunk capacities to 100G, and circuits in Southwest Asia supporting Operation Inherent Resolve (OIR). Circuits supporting OIR will be reimbursed separately with Overseas Contingency Operations funding and are not included in the price for DISN IS. This budget also assumes growth in maintenance costs due to ongoing implementation of large-scale enterprise workloads.

IP Voice Services provide rapid, reliable, cost-effective, Enterprise Voice over IP (EVoIP) and Enterprise Classified Voice over IP (ECVoIP) communications with military-unique features, including multi-level precedence and preemption.

Cyber Protection activities support the DISN by designing and deploying proactive protections, deploying attack detection, and performing information assurance operations to ensure that adequate security is provided for information collected, processed, transmitted, stored, or disseminated on the Department of Defense Information Network (DODIN). These efforts include tasks associated with affording protection to telecommunications, information systems, and information technology that process sensitive and classified data as well as efforts to ensure the confidentiality, authenticity, integrity, and availability of the information and the systems. This budget includes efforts to evolve the DoD's enterprise-wide Endpoint Security Solution, strengthen cyber identity, and provide enhanced situational awareness for cyber operators/defenders through accurate data identification and tagging of data sources. FY 2018 operating costs include sustainment of the Zero Day Network Defense (ZND) – Email capability, which detects and blocks polymorphic malware variants, and other zero-day techniques, at the DoD's enterprise email gateways.

Joint Regional Security Stacks (JRSS) are a suite of equipment that perform firewall functions, intrusion detection and prevention, enterprise management, virtual routing and forwarding (VRF), and provide a host of network security capabilities. By deploying JRSS, security of the network is centralized into regional architectures instead of locally distributed architectures at each military base, post, camp, or station. This allows information traversing DoD networks to be continuously monitored to ensure response time as well as throughput and performance standards. This budget includes increased engineering, integration, and maintenance costs to support the full deployment of JRSS stacks.

Security and Assurance Services enhance the security and availability of the DODIN by ensuring adherence to Information Assurance and Network Operations policies. This includes network security monitoring and oversight of sensors installed on the DISN backbone.

Engineering and Logistics Management provide architecture, systems engineering and end-to-end analytical support for the DISN and its customers, resolving high priority technical issues affecting end-to-end interoperability and performance across the DISN. Additionally, these functions provide customer service request fulfillment, manage DISN and telecommunication systems release activities, and oversee worldwide deployment for all corresponding services. This also includes circuit transition efforts supporting DISN projects.

IT Services Management Support provides analysis of request management and systems capabilities required for mission partners to discover, order, and track telecommunications products and services.

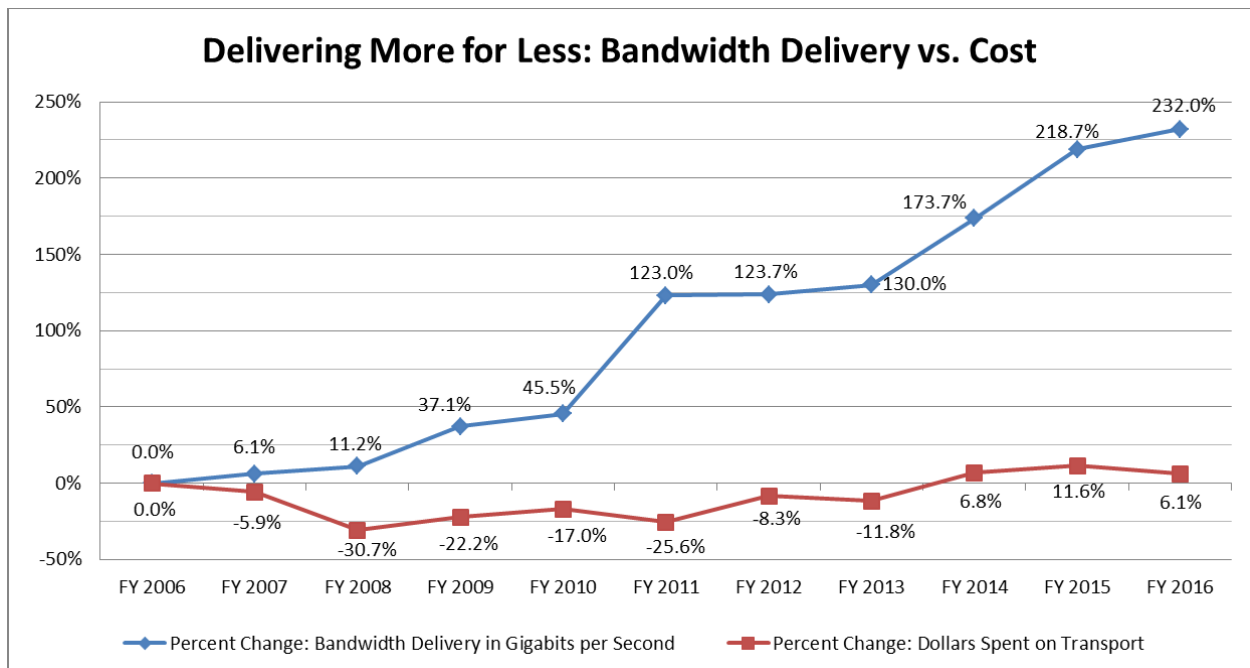
Operational Support Services includes both network operations and network management functions. Network Operations provides the trained personnel for tier I and II network support at the DISA NetOps centers located throughout the world. Network Management provides the tools necessary to automate the operations, administration, maintenance, and provisioning/engineering activities for the DISN. These same tools give network managers/monitors the capability to “see” the network in real-time, a critical capability necessary to resolve crises and other network events.

Network Services Support provides centralized support services across the DISN programs and organizations. It is a collective group that provides: resource/financial management support, contract acquisition support, mission management and operational metrics support, and manpower and workforce management support.

TS/EAS Trends: Increased Customer Demand for Network Services

Customer demand had increased consistently since the previous DISN Subscription Services (DSS) cost recovery model was implemented, and DISA projects continued growth. The DSS model provided little appetite suppression since changes in customer demand for bandwidth did not necessarily lead to changes in a customer's bill. However, the new DISN Infrastructure Services (DISN IS) cost recovery model allows customers greater ability to influence their bills based on their level of consumption. The updated model allows for a more concise trend analysis whereby access circuit analysis determines usage by customer. In addition, circuit analysis occurs quarterly, providing a more accurate reflection of customer usage for each budget cycle, and in turn, allowing customers to adjust their usage to impact their bill.

In spite of this continuing upward trend in demand, DISA has delivered bandwidth with minimal cost increases to mission partners, as shown in the subsequent chart:



As shown in the previous chart, since FY 2006, DISA has increased transport bandwidth delivery capacity almost 232 percent to meet customer demand. The increase is driven by internet traffic, DoD Enterprise Services, full motion video collaboration, and Intelligence, Surveillance and Reconnaissance (ISR) requirements. Over the same timeframe, transport costs associated with the physical connections between sites such as management, software, maintenance and installation has increased by only 6.1 percent. Additionally, DISA has been able to keep these costs stable without any degradation in service. The DISN continues to meet or exceed network performance goals for circuit availability and latency, two key performance metrics.

DISN Reimbursable Services

In addition to the DISN services previously discussed, the DISA offers other reimbursable telecommunications services, as shown in the table below, and described in the following section:

(\$ in millions)	FY 2016*	FY 2017	FY 2018
Commercial Satellite Services (FSS and MSS)	\$448.5	\$513.8	\$514.8
Enhanced Mobile Satellite Services (Iridium)	\$128.0	\$141.4	\$148.6
Customer-unique Projects	\$54.6	\$72.0	\$72.0
Global Video Services (GVS)	\$0.0	\$27.1	\$22.8
Defense Switched Network (DSN)**	\$0.0	\$16.3	\$0.2
Joint Hawaii Information Transfer System	\$18.8	\$0.0	\$0.0
Pacific Enterprise Services – Hawaii (PES-HI)	\$0.0	\$15.5	\$13.5
Organizational Messaging	\$17.6	\$19.4	\$19.9
Mobility	\$4.0	\$7.8	\$8.6
Public Key Infrastructure - Service to Other Federal Agencies	\$4.7	\$3.5	\$3.6
Security and Assurance Services	\$26.8	\$34.1	\$34.0
Defense Continuity of Operations Integrated Network	\$4.1	\$4.2	\$3.2
Cross Domain Services	\$2.9	\$3.6	\$3.7
SIPRNet FED DMZ	\$0.0	\$1.0	\$1.0
Overseas Contingency Operations - Bandwidth	\$0.0	\$49.6	\$49.6
Other Reimbursable Services	\$21.4	\$2.7	\$2.7
Total DISN Reimbursable Costs	\$731.6	\$912.0	\$898.3

*Fiscal Year 2016 data are actual results.

**DSN costs are realigned to DISN IS in FY 2018

Commercial Satellite Communications (COMSATCOM) services include global and regional access to commercial satellite communications for voice, data, imagery, broadcast, and teleconferencing networks in secure and non-secure modes. This includes both fixed satellite services (FSS) and mobile satellite services (MSS).

Enhanced Mobile Satellite Service (EMSS) is a global mobile satellite communications system that provides secure voice, data, paging, and messaging communications capabilities to DoD, non-DoD, and foreign subscribers as needed. This program also offers the Distributed Tactical Communications System, comprised of push-to-talk voice and data services that leverage the current constellation to provide a handheld, over the horizon, beyond-line-of-sight, tactical communications solution for U.S. troops in remote locations, enabling a user to communicate with multiple users at the same time. Cost increases in FY 2017 and FY 2018 are primarily attributable to increased depreciation costs for capital projects, as well as the planned increase for EMSS's multi-year Airtime contract, awarded in FY 2014.

Customer-Unique Projects are initiated when DoD components request special network assistance as their missions change and/or expand. These actions are executed on a 100 percent customer reimbursable basis.

Global Video Services (GVS) provide a full suite of on-demand, high-quality assured video conference capabilities to interact visually within the NIRNet and SIPRNet. The GVS supports DoD subscribers, warfighters in the field and coalition partners worldwide.

Defense Switched Network (DSN) is an unclassified legacy voice service. This budget reflects the DoD's overarching technical strategy and directive to implement technology replacement of legacy systems with IP-converged services. Direct cost reimbursement incentivizes customers to migrate off legacy technologies.

The **Joint Hawaii Information Transfer System (JHITS)** provides voice, video, and data services to military bases in the state of Hawaii.

Pacific Enterprise Services – Hawaii (PES-HI) is a follow-on service to the JHITS. PES-HI is an IP-based converged network that will utilize much of the existing DISN infrastructure and contract vehicles, leading to reduced costs for DISN customers. The PES-HI reimbursable service reflects the dedicated provisioning and transmission services within and between the military installations in Hawaii. Those cost that are inherent to the expansion of DISN service delivery nodes and backbone are reflected in the DISN Infrastructure Services submission.

Organizational Messaging provides a range of assured messaging and directory services between DoD and non-DoD organizations, Allies, and the intelligence community (IC).

DoD Mobility supports both unclassified and classified mobile communications using multiple types of devices. The DISA provides the commercial carrier gateway for both 3G and 4G network traffic, hosted at DISA DECCs, to facilitate moving the commercial carrier traffic through the DISN to access user email, DoD web sites, a DoD application store, and other DoD-specific applications. Sustainment costs driven by customer-specific requirements, i.e. Mobile Device Management hardware, Mobile Application Store, software licenses, and 24x7 operational support are recovered through the DWCF.

PKI as a Service to other Federal Agencies allows Federal entities to utilize DoD's PKI infrastructure for user authentication. The service provides access credentials to support identity authentication, data integrity, and communications privacy on Secret level networks. The DISA is the National Security System (NSS) Common Service Provider (CSP), and provides PKI service to requesting agencies on a reimbursable basis.

Security and Assurance Services enhance the security and availability of the DODIN by ensuring adherence to Information Assurance and Network Operations policies. Certain services are provided as stand-alone offerings, while others are bundled. Examples of services requiring direct reimbursement include the certification of systems, Cyberspace Defense Service Provider (CDSF) inspections, IA readiness reviews, and malware analysis.

The *Defense Continuity of Operations Integrated Network (DCIN)* is a classified Pentagon network utilized by senior DoD leadership. Network costs are reduced in FY 2018 as the transition to IP is completed.

Cross Domain Services (CDS) are responsible for enhancing security and availability of the Department of Defense Information Network (DODIN) by ensuring adherence to Information Assurance and NetOps policies governing transfer of information between domains. Services offered on a cost reimbursable basis include Enterprise Hosted Structured File Transfer and Enterprise Hosted Web Service functions. Services related to Enterprise Cross Domain Email and Enterprise Cross Domain File Sharing are included as part of the DISN Infrastructure Services.

The *SECRET Internet Protocol Router Network Federal Demilitarized Zone (SIPRNet FED DMZ)* capability utilizes a federal DMZ to support capabilities for sharing information with coalition partners and United States government agencies. FED DMZ increases attack detection and decreases the probability of adversarial attack success by providing access control and filtering capabilities. Mission partners are charged based on number of connections into the FED DMZ.

Enterprise Acquisition Services

The primary mission of the Enterprise Acquisition Services (EAS) component is to meet Department of Defense (DoD) and authorized non-defense customers' requirements for telecommunications and information technology (IT) products and services from the worldwide commercial sector through flexible, innovative, and responsive acquisition actions. The mission also includes acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. The Enterprise Acquisition Services component encompasses a variety of support services to meet information technology contract requirements and provides contract support to all DISN services. This budget submission reflects significant anticipated growth in mission partner requirements. Also, two major contract transitions are reflected in this budget submission. Workload will transition from the ENCORE II contract to the new ENCORE III contract and from the Networx contract to the new Network Services 2020 contract for information technology and telecommunications requirements.

The following table shows the value of the contracts projected for each fiscal year by service/agency.

(\$ in Millions)	FY 2016*	FY 2017	FY 2018
Army	\$834.2	\$840.4	\$969.9
Navy	\$338.9	\$334.0	\$385.6
Air Force	\$424.7	\$532.9	\$584.1
Defense Agencies	\$2,007.3	\$3,287.8	\$3,493.2
Other DOD	\$33.7	\$117.3	\$125.5
Other Federal and Non-Federal Agencies	\$58.9	\$77.3	\$78.7
Total Gross Orders	\$3,697.7	\$5,189.7	\$5,637.0

*Fiscal Year 2016 data are actual results.

Standard Contracting Services are provided by DISA's Defense Information Technology Contracting Organization (DITCO), which provides contracting services for the Defense Information System Network (DISN), Computing Services, and a wide range of other DoD programs that require information technology contracting and contract management services. The DITCO also establishes large contract vehicles available to the DoD for essential IT services such as cyber security, information assurance, engineering, hardware, equipment, software integration and support, DISN access, and Non-DISN telecommunications circuits. All standard contracting services ordered by mission partners are provided on a 100 percent reimbursable basis, plus a 2.5 percent fee-for-service to recover operating costs.

Joint Enterprise License Agreements provide economies of scale to the DoD when purchasing software licenses. The DISA has assumed a large business volume with relatively small contracting costs, which allows DISA to offer this service at a rate lower than the standard DITCO fee-for-service. Customers will be charged a 0.5 percent rate for utilizing these agreements. Customers are still slow in adopting this service; however, DISA anticipates a gradual increase in demand.

Operating costs of \$131.5 million in FY 2018 fund the civilian salaries, accounting support—including large-scale invoice processing—and contracting and financial support systems to execute the IT and telecommunications contracting activities described above. In addition, the operating cost will also fund the sustainment of a new cost accounting system for TS/EAS. The new accounting system will provide additional cost granularity, improve business processes and provide the capability to produce a single set of financial statements for the Information Services Activity Group. All operating costs are recovered via fees charged to customers. For standard contracting services, the fee remains at 2.5 percent in FY 2018.

MAJOR CHANGES BETWEEN FISCAL YEAR ESTIMATES
Telecommunications Services/Enterprise Acquisition Services (TS/EAS)
Cost of Operations

(\$ in millions)	FY 2016*	FY 2017	FY 2018
FY 2017 President's Budget	\$6,559.5	\$6,638.0	-
FY 2018 Current Estimates	\$5,780.1	\$7,226.0	\$7,657.9
Change FY 2017 President's Budget to Current Estimate	-	\$588.0	-
Change FY 2017 Current Estimate to FY 2018 Current Estimate	-	-	\$432.0

*Fiscal Year 2016 data are actual results.

FY 2017 President's Budget Submission to FY 2017 Current Estimates

Total cost of sales for the *Telecommunications Services* and *Enterprise Acquisition Services* components increases by +\$588.0 million from the FY 2017 President's Budget and is comprised of the following:

Cost for *DISN Infrastructure Services* increase by +\$74.1 million. This is primarily driven by the ongoing implementation actions for large-scale enterprise workloads needed to ensure operability (+\$23.4 million) as well as prior year costs associated with obligations for programs transferred to the DISA General Fund (+\$10.6 million). Other cost increases for DISN infrastructure services include: increased contract pricing for cybersecurity capabilities (+\$6.5 million); increase in circuit costs supporting user demand and major DoD initiatives (+\$6.1 million); additional circuit transition workload in logistics management (+\$4.9 million); increase to PKI capabilities (+\$4.7 million); automation of basic cybersecurity requirements to protect against adversary tactics (+\$4.4 million); increase in hardware/software maintenance costs for JRSS (+\$4.4 million); delayed obligations supporting the new network operations center at DISA CONUS (+\$3.7 million); sustainment costs for the DISA customer order entry system (+\$3.1 million); support for the DECTK and other network gateways (+\$1.7 million) and other network support functions (+\$1.7 million); realignment of funds within the DWCF to support the Global Service Support Environment (SSE) (+\$0.5 million); and additional civilian pay cost to support the increased workload (+\$0.2 million).

These increases are partially offset by contract reductions for re-negotiation of the Global Information Grid (GIG) Services Management-Operations (GSM-O) contract (-\$1.8 million).

Cost for *DISN Reimbursable Services* increase by a net total of +\$26.8 million. This is primarily driven by a bandwidth surge supporting Operations Inherent Resolve which will be supplemented with OCO reimbursement (+\$49.6 million). Other cost increases include re-estimation of customer workload for customers requiring special network assistance in support of new or expanding requirements (+\$31.1 million) and a one-time increase resulting from transitioning the DCIN (+\$1.0 million). These increases are partially offset by decreases including: removal of GCDS from the Telecommunications Services business area to the Computing Services business area (-\$39.2 million); contract savings on the GVS program (-\$7.8

million); and re-estimation of workload for other various DISN reimbursable services (-\$5.6 million). Also, there is a net decrease in labor costs due to an update to the projected cost per full time equivalent (-\$2.3 million).

Finally, cost estimates for DISA's *Enterprise Acquisition Services* increase by a total of \$487.1 million. This increase is almost entirely due to updated projections on customer-driven, pass-through contracting workload. Increases are expected for hardware/software purchases and maintenance, technical support, and other customer IT requirements (+\$635.5 million) as well as for non-DISN leased communications (+\$153.8 million). These increases are slightly offset by customer requirements for Joint Enterprise License Agreements (JELAs), which have been slower to materialize than projected, mainly due to longer than expected market research requirements and defense-wide budget reductions (-\$149.8 million). While this is a decrease from previous projections, it is expected that customers will increasingly leverage future JELAs to benefit from economies of scale gained from software consolidation. Demand for ENCORE II services has also decreased as the contract nears expiration (-\$147.0 million). ENCORE III is expected to be awarded in the first quarter of FY 2017 and workload is anticipated to pick up in the following fiscal year. Additionally, operating costs for Enterprise Acquisition Services decrease due to changes to the production support cost for the traditional contract writing system IDEAS, delayed implementation of the new accounting system, reduced DFAS cost, and a hiring lag (-\$5.4 million).

FY 2017 Current Estimate to FY 2018 Current Estimate

Total cost of sales for the *Telecommunications Services* and *Enterprise Acquisition Services* components increases by +\$432.0 million from the FY 2017 Current Estimate to the FY 2018 Current Estimate and is comprised of the following:

Costs for *DISN Infrastructure Services* decrease by a net total of -\$14.5 million from FY 2017 to FY 2018. The main decrease of -\$29.3 million is attributable to bandwidth savings from the transport delivery contract, elimination of low-speed circuits, and realignment of customer-specific circuit requirements to customer accounts. Additional decreases are as follows: removal of prior year cost for programs transferred to the DISA General Fund (-\$10.8 million); reductions from clean sheeting efforts and elimination of legacy technologies and equipment (-\$10.3 million); cost efficiencies from GSM-O contract negotiation (-\$6.0 million); cost efficiencies from insourcing financial management support and other contracts (-\$4.0 million); completion of the new network operations center at DISA CONUS (-\$3.5 million); projected savings from renewal of the DISN vendor maintenance contract (-\$3.4 million); contract efficiencies in security and assurance support and network management (-\$2.1 million); savings from complete replacement of the legacy order entry system (-\$1.4 million); and manpower reductions mainly achieved through VERA/VSIP offerings (-\$1.1 million).

These reductions are partially offset by inflation adjustments of +\$19.9 million. Other increases include: technical correction to include costs for efforts supporting IP Voice that were erroneously removed from the DISN rate (+\$15.4 million); cyber security solutions and enhancements including PKI Increment 2 capabilities (+\$12.7 million); sustainment of Zero-day Network Defense (ZND) Email (+5.8 million); hardware/software maintenance for the full deployment of JRSS (+\$3.4 million); and other miscellaneous costs (+0.1 million).

Costs for ***DISN Reimbursable Services*** decrease by a net total of -\$13.7 million in FY 2018. This decrease is primarily driven by realigning costs erroneously identified as supporting DSN back into the DISN IS (\$-16.4 million). Other cost decreases include: re-estimation of customer workload for various DISN reimbursable services (-\$13.3 million); contract savings from completing the transition of GVS to a steady state environment (-\$4.7 million); completion of the DCIN transition to IP (-\$1.1 million); and a net reduction in labor costs (-\$0.9 million).

These reductions are partially offset by inflation adjustments of +\$17.9 million. Additionally, there is an increased depreciation cost in EMSS from investments made to the gateway infrastructure in preparation for the Iridium NEXT constellation launch (+\$4.8 million).

Additionally, cost estimates for ***Enterprise Acquisition Services*** increase by \$460.2 million in FY 2018. The two primary drivers of this increase are the inflation adjustment (+\$105.5 million) and increased projections for pass-through IT contracting and non-DISN Telecom services workload (+\$346.2 million). Labor costs also increase to support the new contracting workload (+\$2.7 million). Other cost increases include: implementation of the new accounting system (+4.3 million) and the DFAS restructuring of their commercial payment system (+\$2.3 million). Other miscellaneous costs decreased by -\$0.7 million.

Capital Investment Program Summary

(\$ in millions)	FY 2016*	FY 2017	FY 2018
Equipment	\$0.8	\$0.0	\$0.0
ADPE and Telecom	\$6.8	\$8.3	\$22.6
Software	\$25.7	\$1.6	\$1.6
Minor Construction	\$0.0	\$0.0	\$0.0
Total Program Authority	\$33.3	\$9.9	\$24.2
FY 2017 President's Budget	\$45.4	\$7.0	-
Change FY 2017 President's Budget to Current Estimates	-	\$2.9	-
Change FY 2017 Current Estimate to FY 2018 Current Estimate	-	-	\$14.3

*Fiscal Year 2016 data are actual obligations.

Note: DISN network investments are funded separately in DISA's Procurement, D-W account.

FY 2017 President's Budget to FY 2017 Current Estimates

The FY 2017 capital authority increases by +\$2.9 million to procure a new Voice Over Internet Protocol (VoIP) switch supporting DITCO operations at Scott Air Force Base and to support potential changes to the new contract writing system, the Integrated Defense Enterprise Acquisition System (IDEAS).

FY 2017 Current Estimates to FY 2018 Current Estimates

The FY 2018 capital authority request includes a request to upgrade six different components of the EMSS system. This includes an upgrade to the Feeder Link Terminal to increase reliability, and upgrade to end-of-life switches and systems, gateway systems to ensure compatibility with Iridium's second generation satellite constellations, efforts to reduce long term costs, an upgrade to the HVAC systems to all critical EMSS gateway systems, and a refresh of the network infrastructure. Also included is obligation authority to support potential changes to the new contract writing system, IDEAS.

Civilian Manpower

(\$ in millions)	FY 2016*	FY 2017	FY 2018
Civilian End Strength	1,510	1,234	1,244
Civilian Full Time Equivalentents	1,435	1,201	1,212
Civilian Labor Cost	\$187.5	\$156.3	\$159.9

*Fiscal Year 2016 data are actual results.

Civilian manpower decreases from FY 2016 to FY 2017 by a net of -234 full time equivalentents (FTEs) and is mainly attributable to the realignment of several functions to the DISA General Fund (-310). This is partially offset by an increase of 76 FTE's which includes: filling of vacant positions to FY 2017 President's Budget levels to support delivery of DISN services; support for expected increases in pass-through contracting workload for information technology and non-DISN telecommunications requirements awarded by the Defense Information Technology Contracting Office (DITCO); and staffing of the Global Service Support Environment (SSE) help desk.

Civilian manpower increases by a net of 11 FTEs in FY 2018 mainly to support increased pass-through contracting workload awarded by the DITCO.

Military Manpower

(\$ in millions)	FY 2016	FY 2017	FY 2018
Military End Strength	66	21	21
Military Labor Cost	\$4.8	\$1.9	\$1.9

The decrease in military personnel from FY 2016 to FY 2017 is due to the functional transfer of DISA Network Operations Centers from the DWCF to DISA appropriated accounts.

Performance Measures

The DISA plays a key role in supporting the warfighter and, as a result, is held to high performance standards. In many cases, performance measures are detailed in Service Level Agreements (SLAs) with individual customers that exceed the general performance measures discussed in the remainder of this section.

Telecommunications Services Performance Measures

The Defense Information System Network (DISN) has operating metrics tied to the Department's strategic goals of information dominance. These operational metrics include the cycle time for delivery of data and satellite services as well as service performance objectives such as availability, quality of service, and security measures. Additionally, the Information Technology Enterprise Services Roadmap sets a DISN performance target of 99.997% operational availability at all Joint Staff-validated locations. The DISA is working to meet the intent of this guidance through the evolving Joint Information Environment architecture and by building out the network as necessary to provide a growing number of enterprise services. These categories of metrics have guided the development of the Telecommunication Services budget submission. Shown below are major performance and performance improvement measures:

SERVICE OBJECTIVE	FY 2016 Actual	FY 2017 Operational Goal	FY 2018 Operational Goal
Non-Secure Internet Protocol Router Network access circuit availability	99.69%	98.50%	98.50%
Secure Internet Protocol Router Network latency (measurement of network delay) in the continental United States	51.67 milliseconds	Not to exceed 100 milliseconds	Not to exceed 100 milliseconds
Defense Red-Switch Network switch availability	99.96%	99.99%	99.99%

Enterprise Acquisition Services Performance Measures

The following performance measures apply for Enterprise Acquisition Services (EAS):

SERVICE OBJECTIVE	FY 2016 Actual	FY 2017 Operational Goal*	FY 2018 Operational Goal*
Percent of total eligible contract dollars competed	73.60%	73.00%	73.00%
Percent of total eligible contract dollars awarded to small businesses	30.00%	27.00%	27.00%

*FY 2017 and FY 2018 goals for percent of total eligible contract dollars competed are estimates based on the released FY 2016 goal. The goals have not yet been released by the Defense Procurement Acquisition Policy (DPAP).

Rates

Below are the proposed rates for FY 2017 and FY 2018. All rates exclude the 2.50% DITCO contracting fee.

DISN Infrastructure Services

The DISN IS cost recovery model uses access circuit capacity as a proxy for measuring consumption. The subsequent table shows the FY 2017 and FY 2018 allocation by customer. Total revenue increases by 1.90% in FY 2018.

DISN Infrastructure Services Customer Allocation:

Customer	FY 2017			FY 2018		
	Mbps	% Allocation	Mission Partner Bill	Mbps	% Allocation	Mission Partner Bill
Air Force	350,252	30.3016%	\$ 290,160,799	401,622	32.2281%	\$314,472,172
Army	412,849	35.7172%	\$ 342,018,773	422,058	33.8680%	\$330,473,891
Marine Corps	19,139	1.6558%	\$ 15,855,241	25,753	2.0666%	\$ 20,165,083
Navy	172,693	14.9403%	\$ 143,064,714	210,052	16.8556%	\$164,471,747
Advanced Research Projects Agency	1,334	0.1154%	\$ 1,105,264	1,339	0.1074%	\$ 1,048,444
Defense Commissary Agency	148	0.0128%	\$ 122,562	145	0.0116%	\$ 113,536
Defense Contract Audit Agency	202	0.0174%	\$ 166,959	577	0.0463%	\$ 451,794
Defense Contract Management Agency	316	0.0273%	\$ 261,481	432	0.0347%	\$ 338,258
Defense Finance and Accounting Service	3,448	0.2983%	\$ 2,856,164	3,392	0.2722%	\$ 2,655,954
Defense Information Systems Agency	20,384	1.7635%	\$ 16,887,006	34,737	2.7875%	\$ 27,199,390
Defense Logistics Agency	19,487	1.6859%	\$ 16,143,806	21,754	1.7456%	\$ 17,033,495
Defense Media Activity	2,014	0.1743%	\$ 1,668,786	2,089	0.1676%	\$ 1,635,698
Other DoD	140	0.0121%	\$ 116,299	140	0.0112%	\$ 109,621
Defense Security Service	1,387	0.1200%	\$ 1,148,920	708	0.0568%	\$ 554,368
Defense Telephone Service	3	0.0003%	\$ 2,558	3	0.0002%	\$ 2,349
Defense Threat Reduction Agency	4,659	0.4031%	\$ 3,859,896	4,370	0.3507%	\$ 3,421,733
DoD Education Agency	2	0.0001%	\$ 1,279	14	0.0011%	\$ 10,962
DoD Inspector General	254	0.0220%	\$ 210,422	332	0.0266%	\$ 259,958
DoD-SACA	104	0.0090%	\$ 86,031	121	0.0097%	\$ 94,744
Joint Chiefs of Staff	49,729	4.3022%	\$ 41,197,103	47,494	3.8112%	\$ 37,188,048
Military Health System	49,219	4.2582%	\$ 40,775,099	30,322	2.4332%	\$ 23,742,283
Missile Defense Agency	2,236	0.1934%	\$ 1,852,155	2,149	0.1724%	\$ 1,682,678
National Capitol Region	102	0.0088%	\$ 84,123	101	0.0081%	\$ 79,084
Office of the Secretary of Defense	26,828	2.3210%	\$ 22,225,566	32,126	2.5779%	\$ 25,154,825
White House Communications Agency	15,264	1.3206%	\$ 12,645,624	2	0.0001%	\$ 1,175
Canadian Forces Communication System	15	0.0013%	\$ 12,624	14	0.0011%	\$ 10,962
Department of Commerce	45	0.0039%	\$ 37,280	56	0.0045%	\$ 43,848
Department of Energy	2	0.0001%	\$ 1,279	143	0.0115%	\$ 111,970
Department of Homeland Security	110	0.0095%	\$ 91,248	110	0.0088%	\$ 86,131
Department of Justice	356	0.0308%	\$ 294,745	356	0.0286%	\$ 278,750
Department of State	1,817	0.1572%	\$ 1,504,941	1,809	0.1452%	\$ 1,416,456
Department of Transportation	2	0.0001%	\$ 1,279	-	0.0000%	\$ -
Department of Treasury	2	0.0001%	\$ 1,279	14	0.0011%	\$ 10,962
Drug Enforcement Agency	3	0.0003%	\$ 2,770	83	0.0067%	\$ 64,989
Federal Aviation Administration	6	0.0005%	\$ 5,219	6	0.0005%	\$ 4,698
Federal Bureau of Investigation	91	0.0079%	\$ 75,401	90	0.0072%	\$ 70,470
National Aeronautics & Space Administration	5	0.0004%	\$ 3,837	5	0.0004%	\$ 3,915
Nuclear Regulatory Commission	2	0.0001%	\$ 1,279	2	0.0002%	\$ 1,566
US Coast Guard	1,230	0.1064%	\$ 1,018,794	1,659	0.1331%	\$ 1,299,006
US Postal Service	8	0.0007%	\$ 6,396	5	0.0004%	\$ 3,915
Total	1,155,885	100.0000%	\$ 957,575,000	1,246,185	100.0000%	\$975,768,925

DISN Reimbursable Services

Global Video Services (GVS)

Pricing for GVS is based on the number of sites at which a customer requests services, and is based on three appliance types. A Gatekeeper is an appliance on an IP network that registers and manages other video teleconferencing appliances, such as endpoints, multipoint control units (MCUs), and gateways. A Room System/Endpoint is an appliance on a network that can connect GVS video teleconferencing (VTC) via Integrated Services Digital Network (ISDN) or Internet Protocol (IP), and are typically used to provide VTC connection from small, medium, and large conference rooms. An MCU is an appliance that manages multiple GVS endpoints at once, coordinates their video data processing functions, and forwards their flow of media streams between them. Prices per site are set annually and bills are adjusted monthly based on changes in the number of conference rooms. Monthly prices for GVS services in FY 2017 are provided subsequently:

GVS Rates	FY 2016	FY 2017	FY 2018
Gatekeeper	--	\$2,755.08	TBD
Room System/Endpoint	--	\$511.29	TBD
Multipoint Control Unit (MCU) Port	--	\$526.61	TBD

Defense Switched Network (DSN)

The DSN costs are allocated to mission partners based on consumption in FY 2017, as measured by DSN access circuits. All costs for DSN are realigned to the DISN IS in FY 2018 as a technical correction. These costs have been reviewed and determined to support IP Voice. Costs specifically supporting DSN only are projected to be eliminated by FY 2018.

Global Content Delivery Service (GCDS)

The GCDS has been removed from the Telecommunications Services business area and will now be provided to mission partners via the Computing Services business area. Revenue, cost, workload, and rates are represented in the Computing Services budget.

Security and Assurance Services

Security and Assurance Services are priced using four different methodologies based on the services a customer receives:

1. DISN Infrastructure Services (DISN IS) – costs for services that benefit the entire DISN network and user community are recovered via the DISN Infrastructure Services rate.
2. Rate-based – customers are charged a specific rate for the individual service received.
3. Direct Reimbursement – costs for services performed for a specific customer, such as information assurance analysis, are recovered on a direct-reimbursable basis.
4. Cyberspace Defense Service Provider Subscription – customers can choose to sign-up for a yearly subscription package that includes various types of testing and analysis as well as exercise support and training.

Additional detail is provided in the subsequent table:

Service	Cost Recovery Mechanism
Network Security Monitoring and Incident Reporting	DISN Infrastructure Services: Costs for sensors that are placed directly on the DISN backbone will be recovered through the DISN IS rate. The monitoring of these sensors benefits the entire DISN community.
Command Cyber Readiness Inspections	DISN Infrastructure Services: As discussed previously, costs for CCRI's are removed from the DISN IS model and transferred to DISA general fund accounts beginning FY 2017.
Computer Network Service Assessments	Rate-based: Customers will be charged these assessments on the technical and non-technical services of a cybersecurity service provider.
System & Enclave Certification	Rate-based: Customers will be charged based on the size (small, medium, large) of the enclave/system being certified.
Information Assurance (IA) Analysis	Direct Reimbursement: Customers can choose from a number of IA Analysis services offered, and will be charged the actual cost of providing the analysis.
Cyberspace Defense Service Provider (CDSP) Subscription Services and Network Security Monitoring	<p>CDSP Subscription and Network Security Monitoring: Each yearly subscription will include recurring year-long support for Malware Notification Protection, Subscriber Support and IA training, Information Operations Condition (INFOCON) Compliance, Information Assurance Vulnerability Management, Attack Sensing and Warning, Indications and Warning, Incident Reporting, Incident Response Analysis, and Incident Handling. CDSP subscriptions are charged per customer.</p> <p>Network Security Monitoring customers are assigned a category (small, medium, large, and extra-large) based on key customer characteristics that drive levels of effort and charged a corresponding rate per sensor.</p>

DoD Mobility

The table below shows the monthly rate per device for DoD Mobility as an enterprise service. The rate recovers costs for enterprise-level mobile communications services which ensure interoperability, increased security, and access to information. The Mobility service is currently offered at the unclassified and secret levels and will soon add a top secret capability.

For unclassified services, mission partners are responsible for purchasing their own approved mobile devices and data/air time plans. Devices for classified use must be purchased through DISA.

DoD Mobility Rates	FY 2016	FY 2017	FY 2018
Unclassified Device	\$7.36	\$7.36	TBD
SIPR Device	\$126.63	\$126.63	TBD
Top Secret Device	--	\$288.23	TBD

Cross Domain Services

The table below shows the fee for new filter development, new customer pre/post deployment, and the rate per active filter for Cross Domain Services. The fees for new filter development and pre/post deployment are based on the cost to develop, certify and deploy new filters for Structured File Transfer and Web Service functions. Development is a one-time fee per new filter, and pre/post deployment is a one-time fee per each new mission partner. The monthly service fee covers cross domain technology assessment, security policy enforcement, certification, accreditation and revalidation support, configuration management, help desk support, and life cycle replacement. The monthly service fee is applied as soon as a requirement is declared operational.

Cross Domain Rates	FY 2016	FY 2017	FY 2018
Development/New Filter	\$27,418	\$27,966	TBD
Pre/Post Deployment/New Mission Partner	\$145,998	\$148,919	TBD
Monthly Sustainment	\$5,809	\$6,027	TBD

Commercial Satellite Communications Services

DISA charges a standard rate for all Commercial Satellite Services procured on behalf of mission partners. The rate recovers program management costs associated with delivering both Fixed Satellite Services and Mobile Satellite Services.

Commercial Satellite Services Rates	FY 2016	FY 2017	FY 2018
Standard Rate	2.16%	2.99%	TBD

Enterprise Acquisition Services Rate

The standard fee-for-service contracting rate remains at 2.5 percent in FY 2018. The DISA has established a 0.5 percent rate for customers utilizing Joint Enterprise License Agreement contracts. DISA is able to provide the Department with economies of scale on these large, joint enterprise licensing contracts, one of the goals of the Department's IT efficiencies roadmap. A decentralized ordering fee of 0.25% has also been established for non-DoD components placing an order against the JELAs.

Contracting Rates	FY 2016	FY 2017	FY 2018
Standard Fee-for-Service	2.50%	2.50%	2.50%
Joint Enterprise License Agreements (JELAs)	0.50%	0.50%	0.50%
JELA Decentralized Ordering Fee	0.25%	0.25%	0.25%

Changes in Cost of Operations
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Millions)

FY 2016 Actual	\$5,780.143
FY 2017 Estimate in FY 2017 President's Budget	\$6,637.953
<i>Program Changes:</i>	
Increase in circuit costs supporting user demand and major DoD initiatives, including Multiprotocol Label Switching (MPLS), Internet Protocol (IP) Transport-Provider Edge (IPT-PE) routers, increases of DISN backbone trunk capacities to 100G, and circuits in Southwest Asia supporting Operation Inherent Resolve (OIR)	\$55.739
Re-estimation of workload for customers requesting special network assistance in support of new and/or expanding mission requirements, which is provided on a 100% reimbursable basis	\$31.066
Increase in DISN transport maintenance due to ongoing implementation actions for large-scale enterprise workloads. Supports repair operations on all DISN equipment to ensure operability.	\$23.414
Prior year costs associated with obligations for programs transferred out of the DWCF to the DISA General Fund in the FY 2017 President's Budget (previously not accounted for).	\$10.612
Increased contract pricing for cybersecurity capabilities, including Distributed Denial of Service (DDoS), Enterprise Email Security Gateway (EEMSG), and the NIPR Demilitarized Zone (NIPR-DMZ)	\$6.485
Logistics management increase from additional circuit transition workload	\$4.867
Increase to provide Public Key Infrastructure (PKI) Increment 2 capabilities	\$4.670
Increase in Endpoint Security Solutions to automate basic cybersecurity requirements and to protect against, detect, and respond to known and anticipated adversary tactics, techniques, and procedures	\$4.417
Increase in hardware/software maintenance costs for Joint Regional Security Stacks (JRSS)	\$4.374
Prior year costs associated with delayed obligations supporting the fit out of the new network operations building at DISA CONUS.	\$3.697
Sustainment costs for the DISA Storefront (customer order entry system)	\$3.060
Increases in other network support functions	\$1.741
Support for the DISN Enterprise Classified Travel Kit (DECTK) gateway and other network gateways	\$1.725
Realignment of funds within the DWCF to support the Global Service Support Environment (SSE)	\$0.452
One-time increase resulting from transitioning the Defense Continuity of Operations Integrated Network (DCIN) Internet Protocol (IP)	\$0.976
Removal of Global Content Delivery Service (GCDS) from DISA's Telecommunications Services business area and instead sold directly from the Computing Services business area	(\$39.185)
Reduction in Global Video Services due to higher than anticipated savings on the new contracts	(\$7.807)
Re-estimation of customer workload for various DISN reimbursable services	(\$5.576)
Reduction in Tier I and Tier II network operations cost due to renegotiations of the GIG Services Management - Operations (GSM-O) contract	(\$1.813)
Increase projection for pass-through IT contracting primarily due to new mission requirements. This is slightly offset by a decrease in JELA, Encore II and TEMSS workload	\$338.635
Increase projection for pass-through Non-DISN Telecom services	\$153.839
Increase in production support cost for the Integrated Defense Enterprise Acquisition System (IDEAS)	\$1.445
Delayed implementation of the TSEAS new financial system (FAMIS-CS Mod), slightly offset by increased cost to support dual ops and increased PMO and engineering support	(\$4.420)
Net reduction of 17 full-time equivalents (FTEs) and an adjustment to the projected average cost per FTE	(\$3.265)
Decreased DFAS bill by consolidating contracts which reduced the number of invoices needing to be processed	(\$1.729)
Miscellaneous	\$0.591
FY 2017 Current Estimate	\$7,225.963

Changes in Cost of Operations
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Millions)

FY 2017	Current Estimate		\$7,225.963
	<i>Pricing Adjustments:</i>		
	Non-labor Inflation		\$140.344
	Civilian/Military Pay Raise		\$2.415
	Annualization of Civ/Mil Pay Raise		\$0.550
	<i>Program Changes:</i>		
	Increases in cyber security to support centralized data management, further deployment of PKI Increment 2 capabilities, and continued enhancements to endpoint security solutions		\$12.676
	Increased depreciation cost in EMSS from investments made to the gateway infrastructure in preparation of the Iridium NEXT constellation launch		\$4.838
	Increase in hardware/software maintenance for the full deployment of Joint Regional Security Stacks		\$3.444
	Projected bandwidth savings from transitioning to the new Global Network Services (GNS) transport delivery contract and elimination of low-speed time-division multiplexing (TDM) circuits		(\$29.263)
	Efficiencies through reductions in core sustaining equipment and the elimination of legacy technologies and equipment such as DATMS and encryption equipment.		(\$10.326)
	Re-estimation of customer workload for various DISN reimbursable services		(\$13.319)
	Removal of prior year cost (full liquidation) for programs transferred from the DWCF to DISA General Fund in the FY 2017 President's Budget		(\$10.824)
	Contract savings from completing the transition of Global Video Services to a steady state environment		(\$4.699)
	Cost efficiency from GSM-O contract negotiation, leveraging the findings from cleansheeting efforts		(\$5.973)
	Completion of project to fit out the new network operations center at DISA CONUS		(\$3.541)
	Projected savings from renewal of the DISN vendor maintenance contract		(\$3.393)
	Contract efficiencies security and assurance support and network management		(\$2.056)
	Cost efficiencies in network support services from contractor insourcing positions for financial management support and other contract efficiencies		(\$3.973)
	Savings from complete replacement of the legacy order entry system		(\$1.417)
	Completion of the Defense Continuity Integrated Network (DCIN) transition to IP		(\$1.084)
	Increases in cyber security to support centralized data management, further deployment of PKI Increment 2 capabilities, and continued enhancements to endpoint security solutions		(\$1.066)
	Increased projections for pass-through IT contracting and Non-DISN Telecom services workload based on current revenue trends		\$346.173
	Increased costs for the new financial system, slightly offset by reduced legacy system support		\$4.304
	Increased DFAS cost due to management restructuring of the commercial payment output source		\$2.254
	Net increase in full-time equivalents (FTEs), primarily to support contracting workload at the Defense Information Technology Contracting Organization (DITCO)		\$0.660
	Sustainment of Zero-day Network Defense (ZND) Email		\$5.800
	Miscellaneous		(\$0.546)
FY 2018	Estimate		\$7,657.942

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Millions)

	2016	2017	2018
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$5,002.274	\$6,318.841	\$6,752.729
ARMY APPROPRIATED	\$1,499.892	\$1,576.369	\$1,697.769
Army O&M	\$1,480.634	\$1,574.041	\$1,694.937
Army RDT&E	(\$0.091)	\$0.134	\$0.136
Army Procurement	\$19.349	\$2.194	\$2.696
Army MILCON	\$0.000	\$0.000	\$0.000
Army BRAC	\$0.000	\$0.000	\$0.000
NAVY APPROPRIATED	\$751.583	\$569.593	\$640.851
Navy O&M	\$751.543	\$569.529	\$640.766
Navy RDT&E	\$0.028	\$0.047	\$0.068
Navy Procurement	\$0.005	\$0.010	\$0.010
Navy MILCON	\$0.007	\$0.007	\$0.007
Navy BRAC	\$0.000	\$0.000	\$0.000
MARINE CORPS APPROPRIATED	\$14.957	\$34.062	\$37.898
Marine Corps O&M	\$14.957	\$34.062	\$37.898
Marine Corps RDT&E	\$0.000	\$0.000	\$0.000
Marine Corps Procurement	\$0.000	\$0.000	\$0.000
Marine Corps MILCON	\$0.000	\$0.000	\$0.000
Marine Corps BRAC	\$0.000	\$0.000	\$0.000
AIR FORCE APPROPRIATED	\$1,213.566	\$1,125.611	\$1,194.237
AF O&M	\$1,213.566	\$1,125.611	\$1,194.237
AF RDT&E	\$0.000	\$0.000	\$0.000
AF Procurement	\$0.000	\$0.000	\$0.000
AF MILCON	\$0.000	\$0.000	\$0.000
AF BRAC	\$0.000	\$0.000	\$0.000
DISA APPROPRIATED	\$1,102.704	\$2,413.092	\$2,573.665
DISA O&M	\$1,102.599	\$2,411.968	\$2,572.444
DISA RDT&E	\$0.091	\$0.231	\$0.310
DISA Procurement	\$0.014	\$0.893	\$0.911
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DEFENSE WIDE APPROPRIATED	\$339.761	\$378.057	\$409.440
Defense Wide Appropriated O&M	\$339.056	\$371.378	\$402.987
Defense Wide Appropriated RDT&E	\$0.218	\$5.779	\$5.553
Defense Wide Appropriated Procurement	(\$0.033)	\$0.900	\$0.900
Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
Defense Wide Appropriated BRAC	\$0.520	\$0.000	\$0.000
OTHER DoD APPROPRIATED	\$79.811	\$222.057	\$198.869

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Millions)

	2016	2017	2018
Other DoD Appropriated O&M	\$79.811	\$221.257	\$198.069
Other DoD Appropriated RDT&E	\$0.000	\$0.000	\$0.000
Other DoD Appropriated Procurement	\$0.000	\$0.800	\$0.800
Other DoD Appropriated MILCON	\$0.000	\$0.000	\$0.000
Other DoD Appropriated BRAC	\$0.000	\$0.000	\$0.000
b. ORDERS FROM DWCF/REVOLVING FUNDS	\$728.711	\$775.741	\$805.202
ARMY - WCF	\$0.000	\$0.000	\$0.000
Army Industrial Operations	\$0.000	\$0.000	\$0.000
NAVY - WCF	\$1.193	\$4.082	\$3.994
Navy Depot Maintenance	\$0.000	\$0.000	\$0.000
Navy Base Support	\$0.000	\$0.000	\$0.000
Navy Supply Management	\$0.000	\$0.000	\$0.000
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance WCF	\$0.000	\$0.000	\$0.000
Other Navy Activity Groups	\$1.193	\$4.082	\$3.994
AIR FORCE - WCF	\$0.217	\$1.111	\$1.262
Consolidated Sustainment Activity Group (CSAG)	\$0.000	\$0.000	\$0.000
US Transportation Command (TRANSCOM)	\$0.217	\$1.111	\$1.262
DEFENSE WIDE WCF	\$646.605	\$676.136	\$703.968
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	(\$0.031)	\$0.075	\$0.074
DISA Computing Services (CSD)	\$642.208	\$669.378	\$697.581
Defense Finance and Accounting Service (DFAS)	\$4.282	\$6.111	\$5.835
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$0.000	\$0.000	\$0.000
DLA Supply Chain Management	\$0.146	\$0.572	\$0.478
DEFENSE COMMISSARY AGENCY (DECA)	\$80.696	\$93.265	\$95.025
DECA Commissary Operations	\$80.696	\$93.265	\$95.025
DECA Commissary Resale	\$0.000	\$0.000	\$0.000
Other - Working Capital	\$0.000	\$0.000	\$0.000
OTHER REVOLVING FUNDS	\$0.000	\$1.147	\$0.953
Corps of Engineers	\$0.000	\$1.147	\$0.953
National Defense Stockpile Transaction Fund	\$0.000	\$0.000	\$0.000
Pentagon Reservation Maintenance Revolving Fund	\$0.000	\$0.000	\$0.000
PRMRF/BMF	\$0.000	\$0.000	\$0.000
c. TOTAL DoD ORDERS	\$5,730.985	\$7,094.582	\$7,557.931
d. OTHER ORDERS	\$101.590	\$123.475	\$124.723

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Millions)

	2016	2017	2018
OTHER FEDERAL AGENCIES	\$96.469	\$113.936	\$114.782
TRUST FUNDS	\$0.037	\$0.080	\$0.082
FOREIGN MILITARY SALES	\$4.992	\$9.268	\$9.664
TOTAL NEW ORDERS	\$5,832.575	\$7,218.057	\$7,682.654
2. Carry In Orders	\$0.000	\$0.000	\$0.000
3. TOTAL GROSS ORDERS	\$5,832.575	\$7,218.057	\$7,682.654

Revenue and Expenses
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Millions)

	2016	2017	2018
Revenue			
Gross Sales	\$5,832.575	\$7,218.057	\$7,682.654
Operations	\$5,779.605	\$7,201.552	\$7,658.232
Capital Surcharge	\$0.000	\$0.000	\$0.000
Capital Investment Recovery (CIR)	52.970	16.505	24.422
Other Income	\$0.000	\$0.000	\$0.000
Refunds/Discounts (-)	\$0.000	\$0.000	\$0.000
Total Income:	\$5,832.575	\$7,218.057	\$7,682.654
Costs			
Cost of Material Sold from Inventory	\$0.000	\$0.000	\$0.000
Salaries and Wages:	\$192.503	\$158.377	\$162.001
Military Personnel Compensation & Benefits	\$4.765	\$1.871	\$1.885
Civilian Personnel Compensation & Benefits	\$187.738	\$156.506	\$160.116
Travel & Transportation of Personnel	\$4.769	\$4.069	\$4.068
Materials & Supplies (For internal Operations)	\$8.582	\$11.777	\$12.150
Equipment	\$0.000	\$0.000	\$0.000
Other Purchases from Revolving Funds	\$118.483	\$76.440	\$85.794
Transportation of Things	\$0.114	\$0.741	\$0.500
Capital Investment Recovery	52.970	16.505	24.422
Printing and Reproduction	\$0.115	\$0.000	\$0.000
Advisory and Assistance Services	\$6.107	\$3.566	\$3.755
Rent, Comm, Utilities, & Misc. Charges	1,478.546	1,599.981	1,585.633
Other Purchased Services	\$3,917.954	\$5,354.507	\$5,779.619
Total Costs	\$5,780.143	\$7,225.963	\$7,657.942
Operating Results	52.432	(7.906)	24.712
Less Capital Surcharge Reservation	\$0.000	\$0.000	\$0.000
Less Recover Other	\$0.000	\$0.000	\$0.000
+ Passthrough or Other App. Affecting NOR			
- Passthrough or Other App. not Affecting NOR			
Other Adjustments Affecting NOR	\$0.000	\$0.000	\$0.000
Net Operating Results	\$52.432	(\$7.906)	\$24.712
Prior Year AOR	\$151.915	\$94.157	\$0.876
Other Changes Affecting AOR	\$0.000	\$17.407	\$0.000
Total AOR	\$204.347	\$103.658	\$25.588
Retained AOR	\$110.190	\$102.782	\$3.224
Cumulative Retained AOR	\$110.190	\$212.972	\$216.196
AOR for Budget Purposes	\$94.157	\$0.876	\$22.364

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund (DWWCF)
Supply Chain Management Activity Group
Fiscal Year (FY) 2018 Budget Estimates
May 2017

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Supply Chain Management (SCM) Activity Group manages DLA materiel from initial purchase, to distribution and storage, and then finally reutilization or disposal. Costs include operations (salaries and expenses), materiel (items sold to the Military Services), and capital investments (purchase of equipment, software development and minor construction).

The DLA Supply Chain Management Activity Group is broken into three business segments: DLA Materiel Supply Chains, DLA Distribution and DLA Disposition Services.

- The DLA Materiel Supply Chains manage approximately 6.2 million consumable items and respond to customer item requests for the Military Services, other Federal Agencies, non-federal Agencies and Foreign Militaries.
- DLA Supply Chain sales and line management estimates are outlined in the following table and a brief description of each supply chain is listed below:

(Dollars in Billions)	FY 2016	FY 2017	FY 2018
Aviation	\$4.4	\$4.1	\$4.4
Land	\$1.8	\$1.6	\$1.7
Maritime	\$1.7	\$1.4	\$1.4
Troop Support Clothing and Textiles	\$1.7	\$1.8	\$1.8
Troop Support Medical	\$6.7	\$7.2	\$7.4
Troop Support Subsistence	\$2.3	\$2.2	\$2.2
Troop Support Construction and Equipment	\$3.1	\$2.6	\$2.5
Troop Support Industrial Hardware	\$.647	\$.614	\$.651
Total Sales	\$22.260	\$21.636	\$22.136
Distribution			
Secondary lines (lines in millions)	13.8	13.5	13.5
Warehoused (cubic feet in millions)	100.4	98.3	97.7
Disposition Services	\$2.8	\$2.6	\$2.5

- o The **DLA Aviation** provides mapping, kitting, and chemical, petroleum, and gases and cylinder items to the Military Services. In addition, DLA Aviation provides engineering, sustainability, ozone depleting substances reserve, and industrial plant equipment services. DLA Aviation is the primary source for over 1.1 million repair parts and operating supply items for more than 1,340 major weapon systems.
- o The **DLA Land** and **DLA Maritime** provide product testing and engineering, and technical support to the Military Services. In addition, DLA Land and DLA Maritime are the primary sources for over 420 thousand and 1.5 million repair parts and operating supply items, respectively for land-based weapon systems and Aviation, Land and Maritime platforms. Land and Maritime support Navy Surface and Subsurface, and Army and Marine Corps customers through dedicated customer relations while working with numerous suppliers to fulfill requirements for assigned stock classes across the Department of Defense (DoD). Furthermore, DLA Land and Maritime provide logistical services directly to Navy shipyards and Army/United States Marine Corps industrial sites.

- The **DLA Troop Support Clothing and Textiles (C&T)** provides dress and field uniforms, field gear, tentage, and personal chemical protective items to the Military Services and other Federal Agencies, in peace and in war. This includes end items and components, fire resistant items, body armor, and testing and evaluation. The C&T Supply Chain is the primary source for 54.5 thousand items.

- The **DLA Troop Support Medical** is the primary source for 1.3 million medical items for our active and retired Military Service Members and their dependents. Medical support to dependents is funded by the Office of Secretary of Defense (OSD) Tricare Program. Medical provides materiel/services in peace and in war to the field, institutional and Tricare customers. Items include pharmaceuticals, medical/surgical supplies, instruments and services, equipment, and other health care items. More recently, Medical has taken on the provision of orthopedic implants. In the Pharmaceutical area, DoD beneficiaries are moving away from traditional venues of obtaining medication (commercial outlets) in favor of our "Home Delivery" (mail order option). However, Medical's fastest growing segment (number of items) is the Electronic Catalogs (ECAT). Nearly 150,000 items were added to the ECAT in FY 2015/2016. Many of the added items were related to orthopedic lines, with plans to expand into cardiovascular and spinal products. Sales in FY 2016 were nearly \$6.7 billion worldwide.

- The **DLA Troop Support Subsistence** is the primary source for over 54 thousand items including fresh fruits and vegetables (frozen, chilled and dry), food fielding and food service equipment, and operational ration items most notably the "Meals Ready-to-Eat".

- The **DLA Troop Support Construction and Equipment (C&E)** gives our Armed Forces and other Federal Agencies a source for 297 thousand National Stock Numbers (NSNs) and other essential products and associated services. The C&E Supply Chain supplies items for force protection, safety and rescue, fire and emergencies, storage, Heating, Ventilating and Air Conditioning, plumbing, heavy equipment, metals and lumber, as well as imaging and telecommunication devices, targets for training, and Automatic Data Processing (ADP) equipment and supplies.

- The **DLA Troop Support Industrial Hardware (IH)** gives our Armed Forces and other Federal Agencies a source for 948 thousand NSNs for various consumable hardware items such as nuts, bolts, screws, nails, studs, locks, gaskets, washers, pins, locks, O-rings, and provides retail replenishment services at major overhaul activities. The Industrial Hardware Supply Chain supports its customers through Prime Vendor/Tailored Logistics Support programs that include Industrial Prime Vendor, Long-Term Contracts, and Corporate Contracts.
- **DLA Distribution Services** is responsible for the global distribution and warehousing of Military Service and DLA materiel line items. Major customers are the Supply Management Activity Groups of the Military Services and DLA. The Distribution network consists of 25 depots strategically located throughout the world. In 2017, DLA Distribution established three new sites:
 - Iwakuni, Japan - detachment of Distribution Depot Yokosuka Japan (DDYJ).
 - Djibouti, Africa - detachment of Distribution Depot Sigonella Italy (DDSI).
 - Salalah, Oman - detachment of Distribution Depot Bahrain Southwest Asia (DDNB).
- **DLA Disposition Services** is responsible for the reuse, or reutilization, of excess and surplus personal property within DoD. In FY 2016, \$2.8 billion worth of personal property was reutilized, transferred, or donated, minimizing the need for DoD to reinvest in these items. If property is not reutilized, it is made available for transfer to other Federal Agencies. Remaining property becomes surplus and is made available for donations to authorized State Agencies and charitable organizations. Property that cannot be reutilized, may be offered for competitive sale to the public, recycled, or disposed. DLA Disposition Services also performs other vital DoD missions; such as scrap metal recovery, demilitarization (DEMIL), and hazardous waste disposal.

In addition, DLA's Supply Chain Management Business Area includes a small number of DoD Logistics Support Activities, such as the DLA Logistics Information Service and DLA Transaction Services.

- The **DLA Logistics Information Service** supports all logistics functions for DoD, other Federal and Civil Agencies, and international allied partners by managing and distributing logistics data on over 6.5 million NSNs resident in the Federal Logistics Information System.
- The **DLA Transaction Services** designs, develops, and implements logistics solutions that improve customers' requisition processing and logistics management processes worldwide. The primary mission is to receive, edit, and route logistics transactions for the Military Services and Federal Agencies. The DLA Transaction Services processes over 10 billion DoD logistics transactions per year, applies numerous DoD and Service/Agency edits and validations against these transactions, and routes the data to the appropriate destination.

BUDGET HIGHLIGHTS

ACTIVITY GROUP BUSINESS CHANGES

The FY 2017 budget proposal eliminated artificial overhead constraints on Energy, restructured Distribution rates to align true costs through the Outside Continental United States (OCONUS) rate, and refine estimates associated with Disposition Commercial Venture (CV) contracts. These overall changes resulted in a one percent decrease in the Supply Chain Management rates, of which \$137.4 million or 0.8% is attributed to the shift of overhead costs to Energy.

The DLA continues to fully establish retail integration (formerly known as Base Closure and Realignment Commission (BRAC) initiatives), completing Consumable Item Transfers (CIT), establishing all Depot Level Reparable (DLR) procurement and Supply, Storage, and Distribution (SS&D) sites. The DLA assumed responsibility for procurement of DLR items from the Military Services as well as managing the SS&D functions at the Services' industrial sites.

CIT - DLA is continuing to reimburse the Military Services for open undelivered orders upon re-assignment of each item based on a joint validation process with each Military Service. We estimate the reimbursement to total roughly \$854 million over the period FY 2011 through FY 2018. DLA reimbursed the Military Services a total of \$837 million (\$235 million to the Air Force, \$428 million to the Navy, and \$174 million to the Army) prior to FY 2017. In FY 2017, we are projecting \$16 million to be reimbursed to the Navy. Beyond FY 2017, we are projecting \$1.4 million to be reimbursed to the Navy.

DLR - The DLR initiative, is a rate-based reimbursement method that represents a multiple year effort from a joint service Integrated Product Team. DLA developed a billable hourly rate-based reimbursement for each Service to recover the labor and non-labor costs of DLR procurement actions. The approved PB18 rates are below.

Hourly Rate	FY 2016	FY 2017	FY 2018
Army	\$63.18	\$63.82	\$66.91
Navy	\$59.84	\$61.25	\$62.40
Air Force	\$63.80	\$62.55	\$65.55
Marine Corps	\$56.24	\$56.58	\$57.48

SS&D - DLA implemented the Local Recovery Rate (LRR) at the Air Force (AF) SS&D sites in FY 2011 and DLA and the Navy are evaluating using a similar methodology to convert Navy SS&D sites to an LRR. Further negotiations are needed with the Navy. Projected Operating Costs, Gross Sales at Standard for the AF SS&D sites, and LRR for FY 2016, FY 2017 and FY 2018 are as follows:

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Operating Costs	\$72.57	\$74.55	\$74.59
Gross Sales at Standard	\$1,116.43	\$1,146.98	\$1,147.60
Composite Local Recovery Rate	6.5%	6.5%	6.5%

WORKLOAD

DLA Materiel Supply Chains: Gross Sales at Standard Unit Price is the primary workload measure. Sales are affected by customer demands (force structure, operating tempo, and maintenance schedules). DLA continues to demonstrate its commitment to supporting America’s aging nuclear fleet with a memorandum of agreement that outlines logistical support to the U.S. Strategic Command (USSTRATCOM), which will give the agency a much more comprehensive role in the sustainment of the Services’ nuclear assets.

DLA has continued to refine the process that was developed by the Enterprise Operations Planning Council (EOPC). The EOPC strives to ensure that all customer demand and supply chain impacts are recognized and understood. Consistent with this process, we meet regularly with our customers to obtain their planning assumptions and use this information and our own experience to develop projected demand over the period. The EOPC process considers not only the impact of Overseas Contingency Operations (OCO) changes on demand and sales; but, also the impact of Army retrograde, and reset, Consumable Item Transfers (CIT), and projected peacetime sales changes.

In FY 2018, the DLA workload is projected to be \$22,136.2 million or \$500.5 million higher than the FY 2017 estimate due to an increase in customer demand.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Gross Sales at Standard Unit Price	\$22,259.7	\$21,635.7	\$22,136.2

DLA Distribution: Materiel receipts, issues and storage space occupied are the major workload measures for DLA Distribution.

Receipts and Issues:

(Lines in Millions)	FY 2016	FY 2017	FY 2018
Lines Received and Shipped	13.8	13.5	13.5

Processing workload projections for FY 2017 and FY 2018 are based on the regression analysis of prior actual DLA sales, prior actual processing workload, and future years’ forecasted DLA sales. Workload is stable in FY 2017 through FY 2018. However, processing workload at these levels puts increased upward pressure on the rates.

STORAGE

(Cubic Feet in Millions)	FY 2016	FY 2017	FY 2018
Covered Storage Space	44.3	42.8	42.4
Open Storage Space	54.5	54.1	53.8
Specialized Storage Space	1.5	1.4	1.4

Storage workload projections are based on the prior and current year actual data. Storage workload in FY 2016 was 11.8 million cubic feet less than budgeted. Further Storage workload reductions are anticipated for FY 2017 and FY 2018, resulting in increased rates for the out years.

DLA Disposition Services: The line items and acquisition value are the two workload measures.

	FY 2016	FY 2017	FY 2018
Line Items in Millions	4.0	3.9	3.5
Acquisition Value (Dollars in Billions)	\$31.6	\$33.6	\$30.3

Workload line items and acquisition value will decrease from FY 2017 through FY 2018 due to the force drawdown in Afghanistan.

OPERATIONAL PERFORMANCE INDICATORS

High Priority Material Release Orders (Hi Pri MROs) - the time standard for shipment of high priority (Hi Pri) MROs is one calendar day. DLA Distribution measures Hi Pri MRO performance (at each Distribution Center and network wide) in terms of average days vs. the one-day standard. For FY 2016 through 30 September, DLA Distribution shipped Hi Pri MROs in 1.36 average days. The performance goal for FY 2017 and FY 2018 is currently planned to remain at a one day standard average. The Hi Pri MRO metric excludes MRO transactions that do not conform to a one-day standard, such as:

- o Scheduled truck shipments - these shipments are based on schedules agreed to with the customer
- o Foreign Military Sales (FMS) shipments
- o Non-consumable Item Material Support Code (NIMSC) End Item shipments (NIMSC = 3)

Routine Material Release Orders (Routine MROs) - the time standard for shipment of routine priority MROs is three calendar days. DLA Distribution measures routine MRO performance (at each Distribution Center and network wide) in terms of average days vs. the three-day standard. For FY 2016 through 30 September, DLA Distribution shipped Routine MROs in 2.27 Average Days. The performance goal for FY 2017 and FY 2018 is currently planned to remain three Average Days. The routine MRO metric excludes MRO transactions that do not conform to a three-day standard, such as:

- o Scheduled truck shipments - these shipments are based on schedules agreed to with the customer
- o Foreign Military Sales (FMS) shipments
- o Non-consumable Item Material Support Code (NIMSC) End Item shipments (NIMSC = 3)

UNIT COST AND PRICING

Unit cost is a ratio that relates resources to outputs produced. The aim of unit cost is to directly associate total cost to work or output. Unit cost goals and pricing are as follows for the three business segments:

DLA Materiel Supply Chains:

The DLA Materiel Supply Chain unit cost is calculated by dividing costs (the sum of total obligations and credit returns plus depreciation expense) by gross sales at standard unit price.

Unit Cost	FY 2016	FY 2017	FY 2018
Costs (Dollars in Millions)	\$22,600.3	\$22,294.1	\$22,722.3
Gross Sales at Standard Unit Price (Dollars in Millions)	\$22,259.7	\$21,635.7	\$22,136.2
Unit Cost Goal (per Dollar of Sales)	\$1.02	\$1.03	\$1.03

The OP-32 Price Change to Customer represents the change in price at the item level affected by both price and program changes in the customer budget. Changes in customer price are driven by factors such as: inflation, basic costs incurred to procure, store, and ship items to the customer, and prior year annual operating results.

The Cost Recovery Rate (CRR) is the amount added to the cost of an item to recover costs associated with purchasing and selling supplies to the customer. These costs include operating costs such as payroll, shipping, storage, accounting, and cataloging as well as recovery or return of prior year operating results and any necessary capital or cash surcharges.

The table below displays the DoD approved OP-32 Price Change to Customers and CRR's for FY 2016 and FY 2017, and those proposed for FY 2018, along with the DoD inflators:

Pricing	FY 2016	FY 2017	FY 2018
OP-32 Price Changes to Customers	(0.1%)	(1.3%)	(0.7%)
DoD Inflator	1.9%	2.0%	2.0%
Cost Recovery Rate	13.2%	11.6%	11.6%

The table below displays the rate changes by DLA Supply Chains for FY 2018.

Rate Change by DLA Supply Chains	FY 2016	FY 2017	FY 2018
DLA Weapon Systems	(0.4%)	(4.1%)	(0.5%)
DLA Troop Support Clothing and Textiles	(0.2%)	1.4%	0.1%
DLA Troop Support Medical	0.6%	(0.3%)	-
DLA Troop Support Subsistence	(0.3%)	(0.6%)	(1.7%)
DLA Troop Support Construction and Equipment	(0.4%)	-	(1.8%)
DLA Troop Support Industrial Hardware	(0.7%)	(6.1%)	4.3%
Total	(0.1%)	(1.3%)	(0.7%)

DLA Distribution:

Billable Hourly Rates: DLA Distribution processing unit cost is calculated by dividing processing costs (without transportation) by workload receipt and issue lines. The unit cost is not the Net Landed Cost rate that is charged to the customer. The Net Landed Cost rate includes Accumulated Operating Result (AOR) adjustments.

Unit Cost	FY 2016	FY 2017	FY 2018
Processing Workload (Lines in Millions)	13.8	13.5	13.5
Processing Cost (Dollars in Millions)	\$371.3	\$511.7	\$546.0
Unit Cost Goal	\$26.89	\$37.80	\$40.50

In FY 2018, increases in cost are primarily due to contracted depot requirements, information technology, and labor benefits.

Detailed Net Landed Cost Rates are provided below:

Receipt	Net Landed Cost Rates					
	2016	2017 CONUS	2017 OCONUS	2018 CONUS	2018 OCONUS	
Base amount	31.51	32.69	46.56	35.39		75.33 per line
Plus						
1-40 lbs.	1.14	1.35	2.51	1.39		2.93 per line
41-150 lbs.	13.38	15.88	29.40	16.37		34.33 per line
151-2000 lbs.	30.51	36.22	67.05	37.33		78.29 per line
2000+ lbs.	0.0155	0.0184	0.0341	0.019		0.0398 per lb + 151-2000 rate
Return	5.60	6.65	12.31	6.85		14.37 per line additional
Hazardous	18.79	22.31	41.29	22.99		48.21 per line additional
Hard-to-Handle	18.79	22.31	41.29	22.99		48.21 per line additional
Issue						
Onbase base amount	14.23	14.76	21.03	15.98		34.02 per line
Plus						
1-40 lbs.	1.14	1.35	2.51	1.39		2.93 per line
41-150 lbs.	13.38	15.88	29.4	16.37		34.33 per line
151-2000 lbs.	30.51	36.22	67.05	37.33		78.29 per line
2000+ lbs.	0.0155	0.0184	0.0341	0.019		0.0398 per lb + 151-2000 rate
Offbase base amount	20.58	21.35	30.41	23.11		49.20 per line
1-40 lbs.	2.23	2.65	4.90	2.73		5.72 per line
41-150 lbs.	30.86	36.63	67.82	37.75		79.19 per line
151-2000 lbs.	61.10	72.53	134.28	74.75		156.79 per line
2000+ lbs.	0.0227	0.0269	0.0499	0.0277		0.0583 per lb + 151-2000 rate
Local Delivery	1.93	2.29	4.24	2.36		4.95 per line additional
Hazardous	18.79	22.31	41.29	22.99		48.21 per line additional
Hard-to-Handle	18.79	22.31	41.29	22.99		48.21 per line additional
Controlled Item	8.88	10.54	19.52	10.86		22.79 per line additional
FMS	9.11	10.81	20.02	11.14		23.38 per line additional
Out-of-Cycle	25.65	30.45	56.37	31.38		65.82 per line additional
Issue from Receiving						
Base amount	\$ 1.81	\$ 1.88	\$ 2.67	\$ 2.04		4.32 per line
Plus						
1-40 lbs.	1.14	1.35	2.51	1.39		2.93 per line
41-150 lbs.	13.38	15.88	29.4	16.37		34.33 per line
151-2000 lbs.	30.51	36.22	67.05	37.33		78.29 per line
2000+ lbs.	0.0155	0.0184	0.0341	0.019		0.0398 per lb + 151-2000 rate
Transshipments						
Offbase base amount	\$ 27.10	\$ 28.12	\$ 40.05	\$ 30.44		64.80 per line
Plus						
1-40 lbs.	\$ 2.23	\$ 2.65	\$ 4.90	\$ 2.73		5.72 per line
41-150 lbs.	\$ 30.86	\$ 36.63	\$ 67.82	\$ 37.75		79.19 per line
151-2000 lbs.	\$ 61.10	\$ 72.53	\$ 134.28	\$ 74.75		156.79 per line
2000+ lbs.	\$ 0.0227	\$ 0.0269	\$ 0.0499	\$ 0.0277		0.0583 per lb + 151-2000 rate
Mark For	\$ 7.23	\$ 7.50	\$ 10.68	\$ 8.12		17.28 per line
Onbase amount	\$ 13.81	\$ 14.33	\$ 20.41	\$ 15.51		33.02 per line
Material Processing Center	\$ 9.56	\$ 18.29		\$18.66		per line
Estimated Transportation	\$ 152,815,884	\$ 159,288,326	\$ 5,534,897	\$ 161,314,129		\$ 5,605,289
Total Processing Cost	\$ 371,253,516	\$ 436,397,127	\$ 75,293,305	\$ 432,821,463		\$ 113,215,354
Composite Rate (without Transportation)	\$ 31.21	\$ 35.94	\$ 75.89	\$ 37.43		78.51
Workload (Millions of Lines)	13.8 lines	12.0 lines	1.5 lines	12.0 lines		1.5 lines
Reimbursable Rates:						
DLA Facility	\$ 106.97	\$ 131.77		\$ 134.41		
Non-DLA Facility	\$ 85.57	\$ 65.89		\$ 107.52		
Storage Rates						
Covered Storage	\$ 5.60	\$ 7.50		\$ 7.65		
Open	\$ 0.53	\$ 0.77		\$ 0.79		
Specialized	\$ 7.75	\$ 11.94		\$ 12.18		

NOTE: In FY 2016 there was only one composite processing rate.

Covered Storage:

Unit Cost	FY 2016	FY 2017	FY 2018
Cubic Feet Millions	44.3	42.8	42.4
Storage Costs(Dollars in Millions)	\$377.2	\$329.6	\$327.5
Unit Cost Goal	\$8.52	\$7.70	\$7.73

The DLA Distribution covered storage unit cost is calculated by dividing storage costs by cubic feet. The unit cost is not the covered storage rate that is charged to the customer. The rate includes AOR adjustments. The actual covered storage rate is shown on the Detailed Net Landed Rates table above. Covered storage cubic feet is expected to decrease in FY 2017 and FY 2018.

DLA Disposition Services:

Unit Cost	FY 2016	FY 2017	FY 2018
Cost per Line Goal	\$74.47	\$90.47	\$93.44
Cost per Pound Goal	\$0.12	\$0.18	\$0.18

DLA Disposition Services unit cost goals per line are based on three processes:

- **Receiving** - cost associated with the stock, store and issue (logistics) of useable property.
- **Reutilization/Transfer/Donation** - total cost associated with reutilizing, transferring and donating of excess personal property divided by line items of property.
- **Usable Sales** - all cost associated with the public sale of surplus, useable personal property.

Unit cost is calculated by dividing the total cost of these processes by the number of lines received and processed.

The DLA Disposition Services cost per line increases from FY 2016 through FY 2018 due to three factors. These factors include: 1. FY 2016 under-execution in costs/expenses primarily due to the timing of large equipment purchases that will carry into FY 2017, 2. FY 2017 baseline increases to DLA Disposition Services costs, due a revised reallocation of DLA-wide overhead expenses which will continue into FY 2018 and 3. a projected reduction in workload. The projected workload declines are due to the scheduled drawdown of Afghanistan and other areas formerly in theater are transferred from Overseas Contingency Operations (OCO) funded to enduring sites funded by the Working Capital Fund.

DLA Disposition Services unit cost per pound goal is based on costs associated with environmentally regulated disposal of hazardous waste and cost for either storing in a landfill or destruction of those non-hazardous items that remain at the end of the disposal process, divided by the number of pounds received and processed.

DLA Disposition Services cost per pound is also higher from FY 2016 through FY 2018 due to the same factors mentioned above for costs per line.

Service Level Billing (SLB): DLA Disposition Services, DLA Logistics Information Service, and DLA Transaction Services recover costs not covered by sales and reimbursable charges through a Service Level Bill.

DLA Disposition Services - bills are formulated with an Activity Based Costing model that uses disposal workload to allocate costs to customers based on services provided. The historically low rates in FY 2016 were attributable to the increase in projected sales revenue and the return of positive AOR. The FY 2017 rates increase slightly because there is less positive AOR to return. In FY 2018, the rates increase as the flow of positive AOR to return to the services via reduced SLB rates has been exhausted and projected sales proceeds decrease. Customer SLBs using this model are projected below:

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Army	\$65.313	\$81.972	\$108.013
Navy	\$32.411	\$37.260	\$44.711
Air Force	\$19.576	\$20.493	\$26.300
Coast Guard	-	\$0.568	\$1.052
DLA	\$61.290	\$46.007	\$83.109
Total	\$178.590	\$186.300	\$263.185

DLA Logistics Information Service - Through FY 2017 Logistics Information Service recouped costs through a Service Level Bill and costs were allocated based on customer utilization. Starting in FY 2018, costs will be recouped through the prices DLA charges for goods and services. The table below reflects this change:

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Army	\$34.965	\$36.250	\$0
Navy	\$43.241	\$46.220	\$0
Air Force	\$34.436	\$37.229	\$0
DLA	\$42.346	\$40.778	\$0
Total	\$154.988	\$160.477	\$0

DLA Transaction Services - Through FY 2017 DLA Transaction Services recouped costs through a Service Level Bill and costs were divided equally among Military Services and DLA. Starting in FY 2018, costs will be recouped through the prices DLA charges for goods and services. The table below reflects this change:

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Army	\$16.187	\$16.032	\$0
Navy	\$16.187	\$16.032	\$0
Air Force	\$16.187	\$16.032	\$0
DLA	\$16.187	\$16.032	\$0
Total	\$64.748	\$64.128	\$0

ANALYSIS OF BUDGET STATEMENTS

NET OPERATING RESULTS (NOR)/ACCUMULATED OPERATING RESULTS (AOR):

Revenue is projected to be higher than stated in President's Budget FY 2017 primarily due to slightly higher sales resulting from customer demands. Expenses are projected to be slightly higher due to increases in costs of materiel sold from inventory.

The DLA SCM NOR/AOR expenses exclude non-recoverable items such as appropriations, property disposal transfers, net acquisition cost changes, returns without credit, and other changes.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Revenue	\$23,832.7	\$23,880.4	\$24,330.8
Expenses	\$23,712.8	\$24,314.2	\$24,631.0
Operating Results	\$119.9	(\$433.8)	(\$300.2)
Other Changes Affecting NOR	-	-	-
Cash Surcharge	-	-	-
Capital Surcharge	-	-	-
Transfers	-	-	-
Inventory	-	-	-
Appropriations	\$84.5	\$489.9	\$76.3
Net Operating Results	\$204.4	\$56.1	(\$223.9)
Prior Year AOR	\$151.1	\$355.5	\$664.7
Other Changes Affecting AOR	-	\$253.1	\$239.4
Retained Accumulated Operating Results	-	-	(\$680.1)
Accumulated Operating Results	\$355.5	\$664.7	-

CASH PROJECTIONS

The FY 2016 cash loss of \$538.7 million is due to Distribution's planned Net Operating Result loss (lower collections from a decrease in Storage/Service processing workload and higher Disbursements for Contract Modifications (contractor operated depots)). DLA SCM received \$84.4 million in appropriated funding.

The FY 2017 projected cash loss of \$322.9 million is due to Distribution's planned Net Operating Result loss (lower collections from a decrease in Storage/Service processing workload and a change in processing workload mix); and the Materiel Supply Chains disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year. This submission includes a request for \$489.9 million in appropriated funding.

The FY 2018 projected cash loss of \$793.9 million is due to Distribution's planned Net Operating Result loss (lower collections from a decrease in Storage/Service processing workload and a change in processing workload mix); and the Materiel Supply Chains disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year. This submission includes a request for \$75.9 million in appropriated funding.

DLA Supply Chain Management Summary

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Disbursements	24,280.9	24,573.3	25,038.5
Collections	23,657.8	23,760.5	24,168.7
Net Outlays	623.1	812.8	869.8
Direct Appropriation	45.1	466.1	47.0
OCO Appropriation	39.3	23.8	28.9
Transfers	-	-	-
Total Change in Cash	538.7	322.9	793.9

PERSONNEL PROFILE

The following PBR18 DLA workforce profile includes Supply Chain Management. DLA is the single procurement management provider for DLRs; performing consumer level (retail) SS&D directly for industrial depot maintenance production line customers; assumption of new distribution functions from the Navy; and workload changes. The DLA is utilizing workload and workforce re-distribution as well as term employees whenever practical to better respond to workload fluctuations.

Manpower	FY 2016	FY 2017	FY 2018
Civilian End Strength	23,523	23,702	23,569
Civilian FTEs	23,082	23,626	23,460
Military End Strength/FTEs*	513	464	456

*Military End Strength/FTEs include DLA Materiel Supply Chain, DLA Distribution, and DLA Disposition Services.

CAPITAL BUDGET

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Equipment (non-ADP)	20.5	38.6	27.9
Equipment (ADP)	5.9	19.6	17.2
Software	32.6	34.8	34.2
Minor Construction	15.1	14.6	15.5
Total	74.1	107.6	94.8

Capital budget funds are investments that exceed the \$250.0 thousand expense/investment criteria for the Automated Data Processing Equipment (ADPE), non-ADPE, software development, and the minor construction categories.

Overall, the FY 2018 capital budget estimates decreased from FY 2017 by \$12.8 million.

The non-ADPE category decreased in FY 2018 due primarily to reduced requirement for machinery equipment.

Investment in the ADPE category decreased in FY 2018 due to reduced requirements.

DLA will continue to expand the already deployed Enterprise Resource Planning platform Enterprise Business System (EBS) for critical system change requests. Also included in the software development category is funding for other Programs to enhance DLA information technology systems. The software category in FY 2018 reflects a small reduction associated with the restructuring of DLA software development initiatives.

The minor construction investments will construct new, replace existing, or modify current facilities to enhance mission performance. Minor construction projects include altering facilities to accommodate mission consolidation and relocation, upgrading security facilities (gates, fences, and lighting) to meet current Anti-Terrorism/Force Protection standards and renovating demilitarization facilities.

Defense-Wide Working Capital Fund Appropriations (including all categories):

Appropriations for FY 2016 through FY 2018 included in this submission are detailed in the following table and narrative.

DLA SCM Appropriations: (Dollars in Millions)	FY 2016 Enacted	FY 2017 Enacted	FY 2017 Request	FY 2018 Request
Warfighter Readiness			\$429	
Reutilization, Transfer and Disposal Costs	\$45.1	\$37.1		\$47.0
Overseas Contingency Operations(OCO) Appropriations:				
Theater Distribution - Afghanistan	-	-		-
DLA Disposition Services	\$35.5	\$20.0		\$20.0
IT Communications	\$3.2	\$3.2		\$3.2
IT Contractor Support	\$.5	\$.5		\$.5
IT DEBS Support	-	-		\$5.1
Corporate Support	\$.1	-		-
Total DLA SCM	\$84.4	\$69.8		\$75.9

Direct Appropriations - The Defense Logistics Agency has four separate Warfighter Readiness inputs for consideration as part of the FY 2017 Supplemental request. These inputs address a wide range of key DLA support functions to include an immediate concern to repair the DLA equities at critical Marine Corps logistics base damaged by recent tornados, increase Nuclear Enterprise Investment, readiness parts investment for 5 key Army platforms, and increase OCONUS forward stocking.

- The tornado outbreak of 21-22 January 2017 destroyed/damaged DoD facilities at Albany, Georgia to include DLA Distribution facilities. DLA Distribution, Albany (DDAG) is a key distribution center supporting Military Customers with parts, products, and other material to support readiness. DLA received significant damage to at least four buildings. Various construction projects are required to repair the significant damage as well as the replacement of material handling equipment. In addition, miles of fiber optic cable has to be replaced along with IT equipment that was inside the buildings. The estimated cost to repair all of the damage is \$70 million.
- The Nuclear Enterprise Investment of \$145M would be for asset procurement, in support of enhanced readiness for all United States nuclear enterprise weapon systems. This will enable DLA will be able to meet aggressive 95% target for parts availability across all aspects of the DoD nuclear enterprise including ICBM, SLBM, Bomber, Dual Role Fighter, and Nuclear Command and Control weapons systems. Additionally, this funding will also result in enhanced support of first-ever ICBM programmed depot maintenance.
- The Weapons System Readiness Investment of \$168M will increase readiness for critical, army weapon system platforms. This request is in support of Army's request to DLA for increased readiness for five targeted platforms (Apache, Blackhawk, Abrams, Bradley, and Paladin).
- The DLA wants to increase readiness for OCONUS requirements and reporting as required by OSD/Operational Energy Plans and Programs. The \$46M investment in forward stocking will enable DLA to position materiel OCONUS to support customer readiness requirements. In addition, this initiative has the potential for automating sales from Service-owned inventory leading to recoupment of funds from reimbursable transactions.

Part of DLA Disposition Services mission is to reutilize, transfer, or donate to authorized DoD and non-DoD recipients' excess DoD personal property. These actions result in lower sales proceeds and higher SLB which are contrary to private industry practices. To bring Materiel Supply Chain costs more in line with commercial business practices, these costs are being funded by a direct appropriation as a Military-unique cost.

OVERSEAS CONTINGENCY OPERATIONS (OCO) FY 2017 REQUEST OCO request provided in FY 2016 through FY 2018 is in support of Operation Freedom's Sentinel (OFS) is included in this budget submission are detailed in the following charts and narrative:

(Dollars in Millions)			FY 2016 Enacted	FY 2017 Enacted	FY 2018 Request
D.	Subactivity Group - Operations - DLA Disposition Services				
	5.10 DLA Disposition Ops	OFS	\$35.500	\$20.000	\$20.000
		Total	\$35.500	\$20.000	\$20.000

Narrative Justification: The DLA Disposition Services is responsible for the reuse, reutilization, and disposal of excess and surplus property within the DoD. Of critical importance is providing support to the warfighter at forward deployed locations where timely and accurate logistical support can affect the outcome of military operations. The DLA Disposition Services is providing support from six fully operational DLA Disposition Services Offices in Kuwait, Qatar, Bahrain, United Arab Emirates (UAE), and Afghanistan. In addition, support Hub Based DEMIL Operations (HBDO) sites have been established to support the warfighter at forward operating locations.

This request includes resources for continuing operations at the six established Disposition Services sites, two in Afghanistan, one in Kuwait and one in Qatar, one in Bahrain and one in the UAE. The Disposition Services sites in Southwest Asia (SWA) directly support Operation Freedom's Sentinel or other overseas contingency operations. Funding is necessary to support Disposition Services enduring sites in Afghanistan as the scheduled drawdown of the Operations Freedom's Sentinel mission continues. Funding also supports Satellite Communications Services (SATCOM) for all DLA Disposition Services activities in SWA.

The FY 2017 \$20.000 million request funds the following (dollars in millions):

Continuing Government Labor/Travel:	\$5.004
Contractor (TCN Labor):	\$3.448
Equipment/Maintenance:	\$4.001
Supplies/Transportation:	\$6.604
Facilities/Rent/Communications:	\$0.943

The FY 2018 \$20.000 million request funds the following (dollars in millions):

Continuing Government Labor/Travel:	\$5.373
Contractor (TCN Labor):	\$3.607
Equipment/Maintenance:	\$2.977
Supplies/Transportation:	\$6.958
Facilities/Rent/Communications:	\$1.085

Impact if not funded: The DWCF will sustain a loss in the year of execution which will have to be recovered in future years' SLBs to the Military Services. In addition, the DWCF cash corpus will suffer a loss in FY 2017 through FY 2018 that cannot be recouped until the increased SLB becomes effective.

(Dollars in Millions)		FY 2016 Enacted	FY 2017 Enacted	FY 2018 Request
F.	Subactivity Group - Operations - IT Communications			
	5.11 Other - DLA	\$3.216	\$3.216	\$3.216
	Supply Chain			
	Management			
	Total	\$3.216	\$3.216	\$3.216

Narrative Justification: DLA continues to support operations in SWA through the establishment and extension of telecom and infrastructure capabilities to support operations in OFS of the following areas:

Satellite Communication (SATCOM) Systems: Include communication support to DLA organizations operating at forward or exercise locations in Europe, Africa and South West and Central Asia. This support includes local network services, telephone, Wide Area Network (WAN) accelerators, and wide-area connectivity using DISA contracted Commercial SATCOM systems. Due to the austere locations where DLA entities are located, there are no DISA land-line network circuits available to establish a land-based network, necessitating the need for satellite-based systems.

In FY 2017 and FY 2018, DLA Networks and Telecommunications is the sustainment office for DLA SATCOM systems and will use

Defense Information Systems Agency (DISA) contracted Commercial SATCOM systems. DLA will still be transitioning to DoD SATCOM from commercial SATCOM and will require support for peripheral hardware, maintenance and recurring costs of systems which includes continued and expanded operations in Afghanistan, Central Asia and potentially Africa.

Enterprise Telecommunications Network (ETN): The Enterprise Telecommunications Network (ETN) and SIPRNet over ETN (SoETN) will directly support 10 sites that currently exist in Afghanistan. The FY 2016, FY 2017, and FY 2018 costs include labor support, sustainment, and lifecycle upgrades. Lifecycle replacements and maintenance support will be required for the sites and the Bahrain hub site that directly supports the Afghanistan site. Without lifecycle replacements and maintenance support, existing equipment will no longer be eligible for manufacturer advance replacement in the event of failure. On the SoETN, all SWA remote sites will be connected to the Kleber Kaserne and Bahrain hub sites. These sites require equipment refresh to add redundancy and prevent loss of network connectivity in the event of hardware failure. Also in support of SoETN are maintenance lines for McAfee network sensors, Oracle Sun servers, Dell, Infoblox, and Solarwinds.

Impact if not funded: Hardware and software maintenance will ensure continuity of SoETN Defense Switch Network(DSN) and Network Monitoring to support SWA sites.

Successful execution of DLA capabilities in support of the OCO mission is critical to the Warfighter. Without the additional funding described above, DLA will be forced to curtail support to non-OCO missions; satellite links will continue to be saturated, directly impacting European, CONUS, and/or Pacific operations. If not funded, critical communications support systems will not be available to support the mission.

(Dollars in Millions)			FY 2016 Enacted	FY 2017 Enacted	FY 2018 Request
G.	Subactivity Group - Operations - IT Contractor Support				
	5.11 Other - DLA Supply Chain Management	OFS	\$.550	\$.550	\$.550
		Total	\$.550	\$.550	\$.550

Narrative Justification: DLA Information Operations Europe and Africa/Central provides local IT and telecommunication support to DLA organizations operating in Afghanistan in the following areas:

Afghanistan IT Contractor Support: This support includes local network services, telephone, individual desktop, wide area ETN, SATCOM, repairs and troubleshooting of wide-area connectivity problems to stabilize the infrastructure, as well as support SATCOM requirements and expanded customer base in SWA supporting surge recovery activities.

Afghanistan Computer Support: This support is required for additional communications equipment and peripherals for personnel assigned to the four additional sites for DLA Disposition Services and two additional sites supporting DLA Troop Support.

Impact if not funded: IT services are critical to the successful execution of DLA capabilities in support of the OCO mission. Without the additional funding described above, personnel assigned would not have the equipment necessary to access critical logistics systems required to execute the mission.

(Dollars in Millions)		FY 2016 Enacted	FY 2017 Enacted	FY 2018 Request
H.	Subactivity Group - Operations - IT DEBS Support			
	3.0 Operating Support			
		OFS	-	-
				\$5.079
		Total	-	-
				\$5.079

Narrative Justification: The Contingency Acquisition Support Model (CASM) subcategory group supports the Department's effort to strengthen the overseas business environment by providing financial support systems and experts in theater. The funding is for system experts and managers to the Joint Contingency Contracting System(JCXS), and associated contingency systems. Funding also supports subject matter experts (SMEs) to assist with Purchase Request for Business Process Reengineering (BPR), and payment expeditors. Continued funding is to support legacy systems and requirements for on-site system administrator support.

Explanation of Changes between FY 2017 and FY 2018: FY 2018 AT&L will be transferring the cASM OCO line to DLA. Per disestablishment of BTA in 2012, funds were offset to AT&L/DPAP to stabilize the Joint Contingency Contracting System (JCCS), a DoD capability

solution providing joint expeditionary acquisition business systems that fulfill mission-essential/critical requirements. With stabilization complete, request realigns existing funds to DLA for continued JCXS planning, programming, execution and system management.

(Dollars in Millions)			FY 2016 Enacted	FY 2017 Enacted	FY 2018 Request
I.	Subactivity Group - Operations - Corporate Support				
	5.11 Other - DLA	OFS	\$0.084	-	-
	Supply Chain				
	Management				
		Total	\$0.084	-	-

Narrative Justification: In FY 2016 DLA will continue to support operations for DLA Joint Logistics Operations Center (JLOC), DLA Support Teams (DSTs), DLA Command Chaplain Office, and DLA Office of the Inspector General (OIG). Due to decreased mission requirements, OCO funds are no longer required in FY 2017 for the JLOC, DSTs, Chaplain, and DLA OIG offices in support of OFS.

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Summary by Division
Supply Management Activity Group
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2016
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Target Total
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
CLOTHING & TEXTILES	1,433.1	1,660.4	1,533.2	0.0	0.0	1,533.2	0.3	351.5	1,885.0
MEDICAL	6,505.2	6,679.8	6,526.3	0.0	0.0	6,526.3	6.1	1,611.3	8,143.7
SUBSISTENCE	2,103.5	2,268.5	2,188.1	0.0	0.0	2,188.1	0.4	529.4	2,717.9
CONSTRUCTION & EQUIPMENT	2,959.3	3,137.5	3,044.2	0.0	0.0	3,044.2	0.4	748.5	3,793.1
INDUSTRIAL HARDWARE	423.9	632.7	555.0	0.0	0.0	555.0	0.3	123.7	679.0
AVIATION	3,240.4	4,288.4	4,160.4	0.0	0.0	4,160.4	12.0	873.7	5,046.1
LAND	1,301.4	1,763.4	1,496.5	0.0	0.0	1,496.5	0.0	337.7	1,834.3
MARITIME	1,218.5	1,652.4	1,528.6	0.0	0.0	1,528.6	9.2	332.4	1,870.2
SM-1 without Variability (SM-3A)	19,185.4	22,083.1	21,032.4	0.0	0.0	21,032.4	28.6	0.0	21,061.1
LOGISTICS INFORMATION	0.0	0.0	119.0	0.0	0.0	119.0	6.1	0.0	125.1
TRANSACTION SERVICES	0.0	0.0	59.9	0.0	0.0	59.9	8.1	0.0	68.1
MANAGEMENT HEADQUARTERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENTERPRISE OPERATIONS	0.0	0.0	1,228.4	0.0	0.1	1,228.4	0.5	0.0	1,228.9
ENTERPRISE INFORMATION TECH.	0.0	0.0	1,079.8	0.0	0.0	1,079.8	21.5	0.0	1,101.3
CENTRAL FUND	0.0	0.0	16.4	0.0	0.0	16.4	0.0	0.0	16.4
TOTAL MATERIEL SUPPLY CHAIN	19,185.4	22,083.1	23,535.9	0.0	0.1	23,536.0	64.832	4,908.2	28,509.1
DISTRIBUTION	0.0	0.0	1,386.2	0.0	0.0	1,386.2	36.6	0.0	1,422.8
DISPOSITION SERVICES	0.0	0.0	233.3	0.0	45.1	278.4	5.9	0.0	284.3
TOTAL SUPPLY CHAIN MANAGEMENT	19,185.4	22,083.1	25,155.4	0.0	45.2	25,200.6	107.3	4,908.2	30,216.2

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Summary by Division
Supply Management Activity Group
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2017
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Target Total
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
CLOTHING & TEXTILES	1,532.0	1,789.1	1,746.8	0.0	5.5	1,752.3	0.1	384.4	2,136.8
MEDICAL	6,925.1	7,201.6	7,054.9	0.0	0.2	7,055.1	5.4	1,733.5	8,794.0
SUBSISTENCE	1,992.3	2,203.8	2,063.4	0.0	0.6	2,064.0	0.1	498.7	2,562.8
CONSTRUCTION & EQUIPMENT	2,288.6	2,624.6	2,538.6	0.0	25.1	2,563.7	0.1	616.2	3,180.0
INDUSTRIAL HARDWARE	425.3	594.1	501.5	0.0	31.8	533.3	0.0	109.0	642.3
AVIATION	3,232.8	4,078.0	4,229.8	0.0	182.6	4,412.4	19.4	865.0	5,296.7
LAND	1,310.8	1,617.1	1,501.6	0.0	33.5	1,535.1	0.0	339.1	1,874.2
MARITIME	1,048.6	1,332.5	1,319.9	0.0	79.7	1,399.6	4.1	276.1	1,679.9
SM-1 without Variability (SM-3A)	18,755.6	21,440.8	20,956.6	0.0	359.0	21,315.6	29.1	0.0	21,344.7
LOGISTICS INFORMATION	0.0	0.0	129.3	0.0	0.0	129.3	9.1	0.0	138.3
TRANSACTION SERVICES	0.0	0.0	34.0	0.0	0.0	34.0	5.5	0.0	39.6
MANAGEMENT HEADQUARTERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENTERPRISE OPERATIONS	0.0	0.0	1,435.8	0.0	0.0	1,435.8	1.2	0.0	1,437.0
ENTERPRISE INFORMATION TECH.	0.0	0.0	985.8	0.0	0.0	985.8	20.3	0.0	1,006.1
CENTRAL FUND	0.0	0.0	431.0	0.0	0.0	431.0	0.0	62.5	493.5
TOTAL MATERIEL SUPPLY CHAIN	18,755.6	21,440.8	23,972.5	0.0	359.0	24,331.5	65.2	4,884.5	29,281.2
DISTRIBUTION	0.0	0.0	1,234.3	0.0	70.0	1,304.3	38.3	0.0	1,342.6
DISPOSITION SERVICES	0.0	0.0	254.4	0.0	37.1	291.6	4.1	0.0	295.7
TOTAL SUPPLY CHAIN MANAGEMENT	18,755.6	21,440.8	25,461.2	0.0	466.1	25,927.4	107.6	4,884.5	30,919.4

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Summary by Division
Supply Management Activity Group
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2018
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Target Total
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
CLOTHING & TEXTILES	1,563.1	1,803.6	1,762.2	0.0	0.0	1,762.2	0.1	391.8	2,154.0
MEDICAL	7,052.9	7,354.2	7,185.0	0.0	0.0	7,185.0	4.7	1,765.2	8,954.9
SUBSISTENCE	2,034.3	2,231.0	2,104.5	0.0	0.0	2,104.5	0.1	508.6	2,613.2
CONSTRUCTION & EQUIPMENT	2,279.0	2,502.3	2,365.7	0.0	0.0	2,365.7	0.1	572.7	2,938.5
INDUSTRIAL HARDWARE	436.1	632.4	503.6	0.0	0.0	503.6	0.0	109.2	612.8
AVIATION	3,292.0	4,306.6	4,350.7	0.0	0.0	4,350.7	1.8	899.4	5,251.8
LAND	1,343.3	1,714.8	1,545.2	0.0	0.0	1,545.2	0.0	350.2	1,895.4
MARITIME	1,081.7	1,395.5	1,393.4	0.0	0.0	1,393.4	1.4	294.2	1,689.1
SM-1 without Variability (SM-3A)	19,082.4	21,940.4	21,210.3	0.0	0.0	21,210.3	8.1	0.0	21,218.4
LOGISTICS INFORMATION	0.0	0.0	134.2	0.0	0.0	134.2	11.2	0.0	145.4
TRANSACTION SERVICES	0.0	0.0	45.7	0.0	0.0	45.7	4.6	0.0	50.3
MANAGEMENT HEADQUARTERS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENTERPRISE OPERATIONS	0.0	0.0	1,415.5	0.0	0.0	1,415.5	0.5	0.0	1,416.0
ENTERPRISE INFORMATION TECH.	0.0	0.0	1,012.7	0.0	0.0	1,012.7	20.3	0.0	1,033.1
CENTRAL FUND	0.0	0.0	398.7	0.0	0.0	398.7	0.0	62.6	461.3
TOTAL MATERIEL SUPPLY CHAIN	19,082.4	21,940.4	24,217.2	0.0	0.0	24,217.2	44.638	4,953.9	29,215.8
DISTRIBUTION	0.0	0.0	1,167.5	0.0	0.0	1,167.5	38.4	0.0	1,205.8
DISPOSITION SERVICES	0.0	0.0	254.8	0.0	47.0	301.8	11.8	0.0	313.5
TOTAL SUPPLY CHAIN MANAGEMENT	19,082.4	21,940.4	25,639.4	0.0	47.0	25,686.4	94.8	4,953.9	30,735.1

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Materiel Supply Chain Activity Group
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2016 Inventory Status
(\$ in millions)

DLA Materiel Supply Chains	Total	Demand Based	Moblization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	11,896.9	8,380.8	428.9	3,087.2
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	31.8	7.7	(39.5)
b. Price Change Amount (Memo)	-	-	-	-
c. Inventory Reclassified and Repriced	11,896.9	8,412.6	436.6	3,047.7
3. PURCHASES	19,372.9	18,948.5	424.4	-
4. GROSS SALES AT COSTS	(19,143.5)	(18,762.9)	(380.6)	-
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	202.5	26.4	1.5	174.5
Transfer to other DLA ICPs	-	-	-	-
Transfer from other DLA ICPs	10.0	8.5	1.5	-
Transfers from Military Services	192.4	17.9	-	174.5
b. Returns from Customers for Credit (+)	159.5	159.5	0.0	-
c. Returns for Customers without Credit	305.2	-	0.3	304.9
d. Returns to Suppliers (-)	48.5	-	-	48.5
e. Transfers to Property Disposal (-)	(553.7)	-	(2.5)	(551.2)
f. Issues/Receipts without Reimbursement (+/-)	-	-	-	-
g. Other (List and Explain)	3,035.4	956.8	126.3	1,952.2
h. Total Adjustments	3,197.4	1,142.7	125.6	1,929.1
6. INVENTORY - End of Period (EOP)	15,323.7	9,741.0	605.9	4,976.7
7. INVENTORY ON ORDER EOP	8,231.9	7,985.1	246.8	-
8. Narrative (Explanation of unusual changes):				

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 DLA Materiel Supply Chain Activity Group
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017
 FY 2017 Inventory Status
 (\$ in millions)

DLA Materiel Supply Chains	Total	Demand Based	Moblization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	15,323.7	9,741.0	605.9	4,976.7
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	-	-	-
b. Price Change Amount (Memo)	-	-	-	-
c. Inventory Reclassified and Repriced	15,323.7	9,741.0	605.9	4,976.7
3. PURCHASES	19,235.7	19,021.6	214.1	-
4. GROSS SALES AT COSTS	(19,140.7)	(18,966.3)	(174.5)	-
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	437.1	228.7	-	208.4
Transfer to other DLA ICPs	-	-	-	-
Transfer from other DLA ICPs	420.7	212.3	-	208.4
Transfers from Military Services	16.4	16.4	-	-
b. Returns from Customers for Credit (+)	156.2	156.2	-	-
c. Returns for Customers without Credit	368.0	-	-	368.0
d. Returns to Suppliers (-)	8.8	-	-	8.8
e. Transfers to Property Disposal (-)	(594.1)	-	-	(594.1)
f. Issues/Receipts without Reimbursement (+/-)	-	-	-	-
g. Other (List and Explain)	378.3	261.2	0.0	117.2
h. Total Adjustments	754.4	646.1	0.0	108.2
6. INVENTORY - End of Period (EOP)	16,173.0	10,442.4	645.6	5,085.0
7. INVENTORY ON ORDER EOP	8,139.2	7,910.3	228.9	-
8. Narrative (Explanation of unusual changes):				

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 DLA Materiel Supply Chain Activity Group
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017
 FY 2018 Inventory Status
 (\$ in millions)

DLA Materiel Supply Chains	Total	Demand Based	Moblization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	16,173.0	10,442.4	645.6	5,085.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	-	-	-
b. Price Change Amount (Memo)	-	-	-	-
c. Inventory Reclassified and Repriced	16,173.0	10,442.4	645.6	5,085.0
3. PURCHASES	19,472.5	19,258.6	213.9	-
4. GROSS SALES AT COSTS	(19,289.7)	(19,095.4)	(194.2)	-
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	120.3	60.3	-	60.0
Transfer to other DLA ICPs	-	-	-	-
Transfer from other DLA ICPs	103.9	43.9	-	60.0
Transfers from Military Services	16.4	16.4	-	-
b. Returns from Customers for Credit (+)	157.3	157.3	-	-
c. Returns for Customers without Credit	337.4	-	-	337.4
d. Returns to Suppliers (-)	8.8	-	-	8.8
e. Transfers to Property Disposal (-)	(535.6)	-	-	(535.6)
f. Issues/Receipts without Reimbursement (+/-)	-	-	-	-
g. Other (List and Explain)	(221.8)	(306.6)	0.0	84.8
h. Total Adjustments	(133.6)	(88.9)	0.0	(44.7)
6. INVENTORY - End of Period (EOP)	16,222.2	10,516.6	665.3	5,040.2
7. INVENTORY ON ORDER EOP	8,088.6	7,878.0	210.6	-
8. Narrative (Explanation of unusual changes):				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2018 Budget Estimates
May 2017

FY 2016
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	428.899	394.003	34.896
2. Price Change	0.966	0.000	0.966
3. Reclassification	8.821	0.000	8.821
4. Inventory Changes			
a. Receipts @ cost	424.421	424.421	0.000
(1). Purchases	424.142	424.142	0.000
(2). Returns from customers	0.279	0.279	0.000
b. Issues @ cost	-380.605	-380.605	0.000
(1). Sales	-378.105	-378.105	0.000
(2). Returns to suppliers	0.000	0.000	0.000
(3.) Disposals	-2.500	-2.500	0.000
c. Adjustments @ cost	123.447	122.834	0.613
(1). Capitalizations	1.500	1.500	0.000
(2). Gains and Losses	-2.221	-2.221	0.000
(3.) Other	124.168	123.555	0.613
5. Inventory EOP	605.949	560.653	45.296
WRM STOCKPILE COSTS			
1. Storage	2.400	2.400	0.000
2. Management	0.000	0.000	0.000
3. Maintenance/Other	0.000	0.000	0.000
Total Cost	2.400	2.400	0.000
WRM BUDGET REQUEST			
1. Obligations @ Cost	424.142	424.142	0.000
a. Additional WRM	0.000	0.000	0.000
b. Replen. WRM	424.142	424.142	0.000
c. Repair WRM	0.000	0.000	0.000
d. Assemble/Disassemble	0.000	0.000	0.000
e. Other	0.000	0.000	0.000
Total Request	424.142	424.142	0.000

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2018 Budget Estimates
May 2017

FY 2017
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	605.949	560.653	45.296
2. Price Change	0.000	0.000	0.000
3. Reclassification	0.000	0.000	0.000
4. Inventory Changes			
a. Receipts @ cost	214.118	214.118	0.000
(1). Purchases	214.118	214.118	0.000
(2). Returns from customers	0.000	0.000	0.000
b. Issues @ cost	-174.451	-174.451	0.000
(1). Sales	-174.451	-174.451	0.000
(2). Returns to suppliers	0.000	0.000	0.000
(3.) Disposals	0.000	0.000	0.000
c. Adjustments @ cost	0.015	0.000	0.015
(1). Capitalizations	0.000	0.000	0.000
(2). Gains and Losses	0.000	0.000	0.000
(3.) Other	0.015	0.000	0.015
5. Inventory EOP	645.631	600.320	45.311
WRM STOCKPILE COSTS			
1. Storage	3.100	3.100	0.000
2. Management	0.000	0.000	0.000
3. Maintenance/Other	0.000	0.000	0.000
Total Cost	3.100	3.100	0.000
WRM BUDGET REQUEST			
1. Obligations @ Cost	214.118	214.118	0.000
a. Additional WRM	0.000	0.000	0.000
b. Replen. WRM	214.118	214.118	0.000
c. Repair WRM	0.000	0.000	0.000
d. Assemble/Disassemble	0.000	0.000	0.000
e. Other	0.000	0.000	0.000
Total Request	214.118	214.118	0.000

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2018 Budget Estimates
May 2017

FY 2018
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	645.631	600.320	45.311
2. Price Change	0.000	0.000	0.000
3. Reclassification	0.000	0.000	0.000
4. Inventory Changes			
a. Receipts @ cost	213.872	213.872	0.000
(1). Purchases	213.872	213.872	0.000
(2). Returns from customers	0.000	0.000	0.000
b. Issues @ cost	-194.237	-194.237	0.000
(1). Sales	-194.237	-194.237	0.000
(2). Returns to suppliers	0.000	0.000	0.000
(3.) Disposals	0.000	0.000	0.000
c. Adjustments @ cost	0.015	0.000	0.015
(1). Capitalizations	0.000	0.000	0.000
(2). Gains and Losses	0.000	0.000	0.000
(3.) Other	0.015	0.000	0.015
5. Inventory EOP	665.281	619.955	45.326
WRM STOCKPILE COSTS			
1. Storage	3.100	3.100	0.000
2. Management	0.000	0.000	0.000
3. Maintenance/Other	0.000	0.000	0.000
Total Cost	3.100	3.100	0.000
WRM BUDGET REQUEST			
1. Obligations @ Cost	213.872	213.872	0.000
a. Additional WRM	0.000	0.000	0.000
b. Replen. WRM	213.872	213.872	0.000
c. Repair WRM	0.000	0.000	0.000
d. Assemble/Disassemble	0.000	0.000	0.000
e. Other	0.000	0.000	0.000
Total Request	213.872	213.872	0.000

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Chain Management Activity Group
 Source of New Orders and Revenue
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017
 SCM Supply Chain
 (Dollars in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
1. New Orders			
a. Orders from DoD Components	8,133.386	11,751.29	12,116.93
Army	2,901.909	4,181.485	4,318.475
O&M, Army	1,227.629	1,759.258	1,824.764
O&M - Recovery Act, Army	0.000	0.000	0.000
O&M, Army Reserve	85.564	124.472	128.183
O&M - Recovery Act, Army Reserve	0.011	0.000	0.000
O&M, Army National Guard	310.006	450.988	464.436
Army National Guard	101.452	147.586	151.987
RDT&E, Army	9.148	13.242	13.647
RDT&E, Army, Recovery Act			
Aircraft Procurement, Army	11.141	16.053	16.566
Missile Procurement, Army	0.644	0.913	0.949
Procurement of Weapons & Tracked Vehicles, Army	3.747	5.396	5.568
Procurement of Ammunition, Army	0.056	0.079	0.081
Other Procurement, Army	56.190	81.074	83.631
Military Construction, Army	0.007	0.000	0.000
Military Construction, Army Reserve	0.000	0.000	0.000
Military Construction, Army National Guard	0.001	0.000	0.000
Family Housing Construction, Army	0.062	0.079	0.081
Family Housing, O&M, Army	0.260	0.394	0.406
Military Personnel, Army	1,017.648	1,480.469	1,524.615
National Guard Personnel, Army	0.000	0.000	0.000
Reserve Personnel, Army	41.951	61.035	62.855
Salaries and Expenses, Cementerial Expenses, / Wildlife Conservation, etc., Military Reservat	0.138	0.197	0.203
Chemical Agents and Munitions Destruction, Arn	-0.004	0.000	0.000
National Science Center, Army	0.000	0.000	0.000
Afghanistan Infrastructure Fund	0.134	0.172	0.182
Iraq Security Forces Fund	0.008	0.000	0.000
Iraq Train and Equip Fund, Army			
Foreign Military Financing, Funds			
Appropriated to the President	0.766	1.103	1.135
Army Other	35.350	38.975	39.186
Navy	2,159.895	3,129.811	3,223.092
O&M, Navy	1,494.402	2,161.685	2,226.093
O&M, Navy Reserve	47.059	68.470	70.512
Aircraft Procurement, Navy	94.704	137.771	141.880
Weapons Procurement, Navy	0.205	0.308	0.317
Procurement of Ammunition, Navy & MC	0.002	0.000	0.000
Other Procurement, Navy	47.486	69.086	71.146
Shipbuilding & Conversion, Navy	55.264	80.376	82.774
RDT&E, Navy	0.882	1.292	1.331
Military Construction, Navy & MC	0.141	0.215	0.222
Family Housing, O&M, Navy & MC	1.122	1.631	1.680
Other Navy Appropriations	0.029	0.037	0.039
National Defense Sealift Fund, Navy	0.003	0.000	0.000
Military Personnel, Navy	417.537	607.401	625.513
Reserve Personnel, Navy	1.059	1.539	1.585
General Gift Fund, Navy	0.000	0.000	0.000
Wildlife Conservation, etc. Military Reservat	0.000	0.000	0.000
Air Force	226.180	317.389	325.768
O&M, Air Force	128.521	186.888	192.490
O&M, Air Force Reserve	0.681	0.990	1.019
O&M, Air National Guard	4.325	6.293	6.481
RDT&E, Air Force	0.815	1.185	1.221
Air Force Procurement Accounts	0.000	0.000	0.000
Aircraft Procurement, Air Force	5.578	8.097	8.343
Missile Procurement, Air Force	0.045	0.059	0.062
Other Procurement, Air Force	0.062	0.091	0.093
Military Construction, Air Force	0.000	0.000	0.000
Family Housing, O&M, Air Force	1.229	1.789	1.843
Military Personnel, Air Force	39.092	56.889	58.585
Reserve Personnel, Air Force	5.161	7.510	7.733
National Guard Personnel, Air Force	10.351	15.064	15.514
International Military Education and Training	0.000	0.000	0.000
Air Force Other	30.320	32.534	32.384
Marine Corps	509.986	739.203	761.821
O&M, MC	296.225	428.215	441.558
O&M, MC Reserve	25.980	37.798	38.925
Procurement, MC	2.868	4.173	4.297
Military Personnel, MC	164.991	240.031	247.191
Reserve Personnel, MC	19.922	28.986	29.850

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
DoD Appropriated Accounts	2,335.416	3,383.399	3,487.775
O&M, Defense Wide, Defense	88.049	120.487	125.626
RDT&E, Defense-Wide	0.940	1.344	1.393
Procurement, Defense-Wide	0.399	0.590	0.607
National Guard & Reserve Equipment, Defense	0.716	1.048	1.080
Military Construction, Defense-Wide	0.020	0.033	0.034
Family Housing, Defense-Wide	0.000	0.000	0.000
Defense Health Program, Defense	2,206.170	3,209.583	3,305.289
DoD, Base Closure Account 1990	0.000	0.000	0.000
DoD, Base Closure Account 2005	0.000	0.000	0.000
DoD, Base Closure Account	0.080	0.131	0.135
Defense Emergency Response Fund, Defense	0.003	0.000	0.000
Support for International Sporting Competitions, Defense	0.004	0.000	0.000
Employee & Employer Contributions, Foreign Govt Social Security & Related Programs, OSD	0.000	0.000	0.000
Chemical Agent & Munitions Destruction, Defense	0.301	0.426	0.439
OSD Appropriated	38.645	49.642	53.051
DoD, Acquisition Workforce Development Fund	0.089	0.115	0.121
b. Orders from Other Activity Groups	13,181.487	8,899.007	9,317.651
Civil Corps of Engineers, Revolving	0.000	0.000	0.000
OSD, Defense Working Capital Fund	0.000	0.000	0.000
Defense Agencies, Defense Working Capital Fund	0.000	0.000	0.000
Army Working Capital Funds	3,275.943	2,245.448	2,359.100
Navy Working Capital Funds	2,908.138	2,004.439	2,099.811
Air Force Working Capital Funds	6,970.823	4,620.736	4,827.968
DLA, Defense Working Capital Fund	0.972	0.731	0.767
DFAS, Defense Working Capital Fund	0.000	0.000	0.000
DECA, Defense Working Capital Fund	3.127	2.046	2.135
Other Working Capital Funds	20.819	24.532	26.748
National Defense Stockpile Transaction Fund	0.000	0.000	0.000
Pentagon Reservation Maintenance Revolving Fund	0.006	0.000	0.000
Global HIV/AIDS Initiative	0.000	0.000	0.000
Global Health Programs, State	0.005	0.000	0.000
DoD-VA Health Care Sharing Incentive Fund	1.645	1.064	1.110
Lease of DoD Real Property	0.000	0.000	0.000
Other DoD (no system report)	0.009	0.011	0.012
c. Total DoD	21,314.873	20,650.297	21,434.581
d. Other Orders:	2,059.437	1,946.823	1,895.771
Other Federal Agencies	594.958	561.935	572.322
Non-Federal Agencies	201.328	154.995	156.714
Foreign Military Sales	1,263.151	1,229.893	1,166.735
Credit Card Purchases	0.000	0.000	0.000
e. Total New Orders	23,374.310	22,597.120	23,330.352
2. Carry-In Orders	3,584.943	3,761.584	3,545.196
3. Total Gross Orders	26,959.253	26,358.704	26,875.548
4. Carry-Out Orders (-)	-3,761.584	-3,545.196	-3,467.077
5. Sales Proceeds (Disposition Only)	130.084	138.773	126.939
6. Gross Sales (-)	23,327.753	22,952.281	23,535.410
7. Credits & Allowances (-)	-176.635	-194.973	-195.786
8. Net Sales	23,151.118	22,757.308	23,339.624
9. Reimbursable Sales	681.525	1,123.062	991.151
10. Total Revenue	23,832.643	23,880.370	24,330.775
PB 18 CS	23832.643	23880.370	24330.776
Delta	0.000	0.000	0.001

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Revenue and Costs
Fiscal Year (FY) 2018-2022 Budget Estimates Submission
May 2017
Total Supply Chain Management
(Dollars in Millions)

	FY 2016	FY 2017	FY 2018
Revenue			
Gross Sales	22,259.7	21,635.7	22,136.2
Operations	22,178.7	21,529.7	22,068.4
Capital Surcharge	0.0	0.0	0.0
Capital Investment Recovery excluding Major Construction	81.0	106.1	67.8
Other Income	1,749.6	2,439.6	2,390.4
Reimbursable Income	1,070.9	1,582.2	1,477.4
Other Income	678.7	857.4	913.0
Refunds/Discounts (-)	-176.6	-195.0	-195.8
Total Revenue	23,832.7	23,880.4	24,330.8
Expenses			
Cost of Materiel Sold from Inventory	18,984.0	18,984.5	19,132.3
Salaries and Wages:			
Military Personnel Compensation & Benefits	44.6	42.4	44.9
Civilian Personnel Compensation & Benefits	2,098.8	2,137.6	2,150.4
Travel & Transportation	28.9	35.6	35.9
Materials & Supplies (For internal operations)	48.6	67.0	68.4
Equipment	65.2	83.3	85.1
Other Purchases from Revolving Funds	307.6	297.4	295.9
Transportation of Things	293.8	381.6	386.6
Capital Investment Recovery - Capital	109.9	157.2	117.8
Printing and Reproduction	22.1	12.9	3.5
Advisory and Assistance Service	50.9	55.0	57.2
Rent, Communications, Utilities & Misc. Charges	12.7	28.3	28.9
Other Purchased Services	1,645.7	2,031.4	2,224.0
Total Expenses	23,712.8	24,314.2	24,631.0
Operating Results	119.9	-433.8	-300.2
Plus Passthroughs or Other	84.5	489.9	76.3
Other Changes Affecting NOR	0.0	0.0	0.0
Cash Surcharge	0.0	0.0	0.0
Capital Surcharge	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Net Operating Results	204.4	56.1	-223.9
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	0.0	253.1	239.4
Prior Year Accumulated Operating Results	151.1	355.5	664.7
Retained Accumulated Operating Results	0.0	0.0	-680.1
Accumulated Operating Result	355.5	664.7	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund (DWWCF)
Energy Management Activity Group
Fiscal Year (FY) 2018 Budget Estimates
MAY 2017

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Energy provides comprehensive worldwide energy solutions to the Department of Defense (DoD) and other authorized customers. DLA Energy serves as the Department's executive agent for the bulk petroleum supply chain. Energy business includes sales of petroleum and aerospace fuels; arranging for petroleum support services; providing facility/equipment maintenance on fuel infrastructure; performing energy-related environmental assessment and cleanup; coordinating bulk petroleum transportation; and performing petroleum quality surveillance functions worldwide. DLA Energy also performs procurement functions for electricity and natural gas for the Military Services as well as for the privatization of their utility systems.

BUDGET HIGHLIGHTS

FY 2017 and FY 2018 reflect adjustments in fuel cost assumptions and are in line with future market projections included in the Office of Management and Budget's (OMB's) economic assumptions.

Operations

Beginning in FY 2017, the fully burdened cost for corporate overhead has been incorporated into DLA's Supply Chain rates, including rates for fuel. While FY 2016 and previous budgets included a one-cent-per-gallon overhead charge, overhead charges are now based on revenue projections for each DLA Supply Chain. In addition, information technology costs across the Agency were re-distributed based on user counts and direct support.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Total Operations	\$392.7	\$647.6	\$611.7

Sustainment, Restoration, and Modernization (SRM)

DLA Energy has established SRM funding levels based on the results of recent planning studies and the number of projects identified by the Military Services. The SRM program includes Maintenance

and Repair, Demolition, Minor Construction (operating), Facility operations, and Non-ADP Equipment (operating). FY 2016 execution includes additional funds for increased Navy tank inspections and demolition at San Pedro.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
SRM Program	\$689.9	\$425.8	\$452.2

Transportation

DLA Energy budgets for worldwide transportation of fuel via various modes of transportation to include tanker, truck, pipeline, and rail car. The transportation budget is comprised of commercial transportation and the per diem rates paid to Military Sealift Command (MSC). Similar to DLA Energy, MSC is funded through a working capital fund resulting in fluctuating rates.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Transportation	\$429.0	\$438.1	\$448.6

Terminal Operations (TOPS)

DLA Energy funds contractor and government operated storage and distribution operations worldwide. Most storage and distribution requirements are funded via multi-year (4 and 5 year contract periods) recurring service contracts and funding requirements change from year to year depending on contract award patterns. FY 2016 execution was lower than budgeted due to deferment of new contracts into following years. Extensions were put in place at a lower cost until contracts are awarded.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
TOPS	\$292.1	\$461.8	\$445.5

Quality

Quality includes laboratory support and fuel testing. Increases in FY 2017 and FY 2018 are to enhance testing to handle evolving refined product slates, including more alternative and commercial fuels.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Quality	\$6.0	\$13.5	\$13.4

Environmental

DLA Energy provides funding for environmental compliance and restoration at military service locations that store and manage capitalized fuel. The Defense Fuel Support Points (DFSPs) that store capitalized fuel rely on DLA Energy funding for their environmental program costs to comply with federal, state, and local laws and regulations. Environmental costs include permit fees, oil spill response and other related expenses, organization fees, waste disposal fees, costs associated with updating spill response plans, sampling and analyzing fees, and remediation costs. FY 2016 execution was lower than budgeted due to deferment of new leak detection contracts into following years.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Environmental	\$45.4	\$86.9	\$84.5

Aerospace Energy (AE)

In addition to petroleum-based products, DLA Energy provides fuel in the form of missile propellants and cryogenics to customers worldwide. Costs for AE include product, transportation, operations, and storage costs. Obligations fluctuate each year primarily due to storage contracts, which are typically 5-year contracts. The increase in FY 2017 obligations is for a tetroxide storage contract. The increase in FY 2018 is for a hydrazine storage contract.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
AE Sales	\$44.7	\$56.2	\$68.7
AE Obligations	\$39.2	\$67.0	\$95.1

PERFORMANCE INDICATORS

Net Sales

DLA Energy measures its workload in terms of net barrels sold. FY 2016 reflects actual net sales. FY 2017 and FY 2018 net sales reflect requirements provided to DLA Energy by the Military Services and the U.S. Coast Guard and uses historical sales to estimate requirements for other authorized customers.

(Barrels in Millions)	FY 2016	FY 2017	FY 2018
Net Sales	99.3	97.2	97.2

Net Operating Results (NOR)

The NOR is the difference between revenue (including reimbursements) and expenses. NOR includes, as applicable, other income, such as federal and state excise taxes collected on sales. Other changes affecting NOR include transfers, and capital surcharges. A capital surcharge is the difference between capital outlays and capital investment recovery.

In FY 2016, DLA Energy received a transfer-in of \$47.0 million for Overseas Contingency Operations (OCO). DLA Energy transferred-out a total of \$3,038.0 million to various DoD accounts. DLA Energy has \$70.0 million built into FY 2017 and FY 2018 respectively for OCO as well as capital surcharges in each year.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Revenue	\$10,037.2	\$9,320.1	\$10,273.3
Expenses	\$9,547.1	\$8,645.4	\$10,288.0
Operating Results	\$490.1	\$674.7	(\$14.7)
Other Changes Affecting NOR			
Transfers	(\$3,038.0)	\$0.0	\$0.0
Capital Surcharge	\$10.3	\$8.4	\$5.7
Appropriations	\$47.0	\$70.0	\$70.0
Net Operating Results	(\$2,490.6)	\$753.2	\$61.0
Prior Year Accumulated Operating Results(AOR)	\$159.5	(\$2,331.1)	(\$1,577.9)
Other Changes Affecting AOR	\$0.0	\$0.0	\$1,517.0
AOR	(\$2,331.1)	(\$1,577.9)	\$0.0

Cash

Pricing decisions, market conditions, and workload estimates result in projections for cash collections, disbursements, and net outlays.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Disbursements	\$8,192.1	\$8,968.0	\$10,191.5
Collections	\$9,873.7	\$9,263.2	\$10,273.3
Net Outlays	(\$1,681.6)	(\$295.2)	(\$81.8)
Transfers/Appropriations	\$2,991.0	(\$70.0)	(\$70.0)
Cash Gain (-)/Loss (+)	\$1,309.4	(\$365.2)	(\$151.8)

Unit Cost

Unit cost per barrel sold for petroleum products is the cost per-barrel (obligation authority including change in on-order plus capital investment recovery) for product and non-product divided by net sales barrels.

(Dollar per Barrel)	FY 2016	FY 2017	FY 2018
Energy Petroleum Unit Cost	\$73.16	\$101.03	\$113.26

ENERGY PRICING (PETROLEUM)

The DoD petroleum pricing is based on refined product forecasts provided by the OMB. OMB establishes petroleum projections based on market futures data from the New York Mercantile Exchange.

The actual non-product cost per barrel in FY 2016 of \$18.17 is under the President's Budget (PB) 2017 baseline due to increased net sales. The FY 2017 increase in non-product cost is due to a PB 2017 decision to reallocate Information Technology (IT) and Corporate costs across the Agency.

The following petroleum cost assumptions were used in the development of the standard price:

(Dollar per Barrel)	FY 2016	FY 2017	FY 2018
Petroleum Refined Cost	\$65.76	\$65.12	\$81.77
Petroleum Non-Product Cost	\$18.17	\$21.82	\$21.85

The standard price per barrel in FY 2016 of \$99.73 is the composite of \$123.90 from October thru January, \$109.62 from February thru March, and \$78.96 per barrel for the remainder of FY 2016. The standard price is \$94.92 in FY 2017 and projected to be \$104.58 in FY 2018.

The following table provides the standard price for FY 2016 through FY 2018:

(Dollar per Barrel)	FY 2016	FY 2017	FY 2018
Standard Price	\$99.73	\$94.92 ¹	\$104.58

¹ The FY 2017 standard price reflects the updated composite price from PB 2017 (\$105.00 per barrel) based on an OUSD(C) memo dated 20 September 2016.

INVENTORY

DLA Energy's FY 2018 inventory objective is 57.0 million barrels, of which 34.5 million barrels are War Reserve Materiel (WRM).

In the following table, normal losses refer to spills, evaporation, shrinkage, and contamination. Combat losses include losses from insurgent attacks, theft, and spillage caused by a lack of fully matured infrastructure in Afghanistan. The decrease to FY 2018 inventory objective is a result of DLA's "Program Cost Reduction" effort.

(Barrels in Millions)	FY 2016	FY 2017	FY 2018
<u>Beginning Inventory</u>	<u>55.9</u>	<u>58.2</u>	<u>57.6</u>
Peacetime Operating	21.4	23.7	23.1
WRM	34.5	34.5	34.5
Receipts	103.0	97.7	97.6
Net Sales	(99.3)	(97.2)	(97.2)
Returns without Credit	0.0	0.0	0.0
Net Gains/Losses (normal)	(1.4)	(1.0)	(1.0)
Combat Losses	<u>0.0</u>	<u>(0.1)</u>	<u>0.0</u>
<u>Ending Inventory</u>	<u>58.2</u>	<u>57.6</u>	<u>57.0</u>
Peacetime Operating	23.7	23.1	22.5
WRM	34.5	34.5	34.5

MANPOWER

The following table reflects the personnel numbers included in this submission.

(Manpower)	FY 2016	FY 2017	FY 2018
End Strength			
Military	31	39	39
Civilian	1,259	1,345	1,346
Total	1,290	1,384	1,385
FTEs			
Military	31	39	39
Civilian	1,201	1,290	1,291
Total	1,232	1,329	1,330

CAPITAL

The capital budget fund investments that exceed the \$250,000 investment criteria for the automated data processing equipment (ADPE), non-ADPE, software development, and minor construction categories. (Minor construction above \$750,000 becomes MILCON investment and is not included.)

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Equipment (non-ADP)	\$8.8	\$16.9	\$14.9
Software Development	\$0.0	\$0.0	\$0.0
Minor Construction	\$33.6	\$47.3	\$49.2
Total	\$42.4	\$64.2	\$64.1

OVERSEAS CONTINGENCY OPERATIONS (OCO) SUPPLEMENTAL REQUEST

The transfer requests below are in support of operations in Afghanistan; primarily NATO Support and Procurement Agency (NSPA), which provides fuel-related services in theater.

(Dollars in Millions)	FY 2016	FY 2017	FY 2018
Combat Fuel Losses	\$10.0	\$5.0	\$0.0
Fuel Transportation, TOPS & AE (Operations)	\$37.0	\$65.0	\$70.0
Total OCO	\$47.0	\$70.0	\$70.0

If not funded, the non-product cost per barrel will need to absorb these costs, which are unique and specific to a combat zone. Allowing such costs to be incorporated into the composite standard price will provide an undue burden on customers.

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017
 FY 2016
 (Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
ENERGY MISSION	9,975.360	9,975.360	11,997.671	0.000	26.732	12,024.403	42.431	0.000	12,066.834
AEROSPACE	41.112	41.112	39.175	0.000	4.842	44.016	0.000	0.000	44.016
REIMBURSABLE	2.453	2.453	9.380	0.000	0.000	9.380	0.000	0.000	9.380
TOTAL	10,018.925	10,018.925	12,046.226	0.000	31.574	12,077.800	42.431	0.000	12,120.231

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017
 FY 2017
 (Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
ENERGY MISSION	9,225.939	9,225.939	9,752.653	0.000	70.000	9,822.653	64.188	2,500.000	12,386.841
AEROSPACE	56.156	56.156	66.957	0.000	0.000	66.957	0.000	0.000	66.957
REIMBURSABLE	0.000	0.000	28.982	0.000	0.000	28.982	0.000	0.000	28.982
TOTAL	9,282.095	9,282.095	9,848.592	0.000	70.000	9,918.592	64.188	2,500.000	12,482.780

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017
 FY 2018
 (Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target	
			Operating	Mobilization	Direct APPN	Total Operating Obligations			Total Capital Obligations
ENERGY MISSION	10,165.490	10,165.490	10,945.040	0.000	70.000	11,015.040	64.139	2,500.000	13,579.179
AEROSPACE	68.678	68.678	95.072	0.000	0.000	95.072	0.000	0.000	95.072
REIMBURSABLE	0.000	0.000	29.909	0.000	0.000	29.909	0.000	0.000	29.909
TOTAL	10,234.168	10,234.168	11,070.021	0.000	70.000	11,140.021	64.139	2,500.000	13,704.160

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2016
(Dollars in Millions)

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	5,291.6	2,028.1	3,263.5	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	-1,446.9	-669.2	-777.7	0.0
c. Inventory Reclassified and Repriced	3,844.7	1,358.9	2,485.8	0.0
3. PURCHASES	6,802.0	6,802.0	0.0	0.0
4. GROSS SALES AT COST	-6,757.4	-6,757.4	0.0	0.0
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from Military Services	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	197.7	197.7	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	(95.5)	(95.5)	0.0	0.0
Retail/Wholesale Losses	-95.5	-95.5	0.0	0.0
Combat Losses (-)	0.0	0.0	0.0	0.0
h. Total Adjustments	102.2	102.2	0.0	0.0
6. INVENTORY - End of Period (EOP)	3,991.5	1,505.8	2,485.8	0.0
7. INVENTORY ON ORDER EOP	3,991.5	1,505.8	2,485.8	0.0
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2017
(Dollars in Millions)

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	3,991.5	1,505.8	2,485.8	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	-239.4	-0.2	-239.1	0.0
c. Inventory Reclassified and Repriced	3,752.1	1,505.5	2,246.6	0.0
3. PURCHASES	6,394.9	6,394.9	0.0	0.0
4. GROSS SALES AT COST	-6,751.8	-6,751.8	0.0	0.0
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from Military Services	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	390.7	390.7	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	(70.1)	(70.1)	0.0	0.0
Retail/Wholesale Losses	-65.1	-65.1	0.0	0.0
Combat Losses (-)	-5.0	-5.0	0.0	0.0
h. Total Adjustments	320.6	320.6	0.0	0.0
6. INVENTORY - End of Period (EOP)	3,715.9	1,469.3	2,246.6	0.0
7. INVENTORY ON ORDER EOP	3,715.9	1,469.3	2,246.6	0.0
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2018
(Dollars in Millions)

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	3,715.9	1,469.3	2,246.6	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	946.6	372.1	574.4	0.0
c. Inventory Reclassified and Repriced	4,662.4	1,841.4	2,821.1	0.0
3. PURCHASES	8,027.4	8,027.4	0.0	0.0
4. GROSS SALES AT COST	-8,485.3	-8,485.3	0.0	0.0
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from Military Services	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	490.6	490.6	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	(81.8)	(81.8)	0.0	0.0
Retail/Wholesale Losses	-81.8	-81.8	0.0	0.0
Combat Losses (-)	0.0	0.0	0.0	0.0
h. Total Adjustments	408.9	408.9	0.0	0.0
6. INVENTORY - End of Period (EOP)	4,613.4	1,792.3	2,821.1	0.0
7. INVENTORY ON ORDER EOP	4,613.4	1,792.3	2,821.1	0.0
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2016
(Dollars in Millions)
FY 2016 - FY 2018

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	3,263.5	3,263.5	0.0
2. Price Change (Memo)	(777.7)	(777.7)	0.0
3. Reclassification	2,485.8	2,485.8	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3). Other	0.0	0.0	0.0
5. Inventory EOP	2,485.8	2,485.8	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0	0.0	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2017
(Dollars in Millions)
FY 2016 - FY 2018

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,485.8	2,485.8	0.0
2. Price Change (Memo)	(239.1)	(239.1)	0.0
3. Reclassification	2,246.6	2,246.6	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3). Other	0.0	0.0	0.0
5. Inventory EOP	2,246.6	2,246.6	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0	0.0	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2018 Budget Estimates
May 2017
FY 2018
(Dollars in Millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,246.6	2,246.6	0.0
2. Price Change (Memo)	574.4	574.4	0.0
3. Reclassification	2,821.1	2,821.1	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3). Other	0.0	0.0	0.0
5. Inventory EOP	2,821.1	2,821.1	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0	0.0	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2018 Budget Estimates
May 2017
(Dollars in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
1. New Orders			
a. Orders from DoD Components	7,736.1	7,378.9	8,130.7
Army	922.1	828.0	912.7
O&M, Army	768.3	679.0	748.5
O&M, Army Reserve	19.1	15.8	17.4
O&M - Recovery Act, Army Reserve	0.0	0.0	0.0
O&M, Army National Guard	81.0	84.7	93.4
RDT&E, Army	24.6	25.6	28.3
Aircraft Procurement, Army	2.0	1.8	1.9
Missile Procurement, Army	0.4	0.6	0.6
Procurement of Weapons & Tracked Vehicles, Army	0.0	0.0	0.1
Procurement of Ammunition, Army	0.0	0.1	0.1
Other Procurement, Army	0.1	0.1	0.1
Military Construction, Army	5.9	3.7	4.1
Military Construction, Army Reserve	0.3	0.3	0.4
Military Construction, Army National Guard	2.3	1.9	2.1
Family Housing Construction, Army	0.3	0.8	0.9
Family Housing, O&M, Army	0.1	0.1	0.1
Military Personnel, Army	1.1	12.4	13.7
National Guard Personnel, Army	15.9	0.3	0.3
Reserve Personnel, Army	0.7	0.7	0.8
Army Other	0.0	0.0	0.0
Navy	2,441.9	2,143.2	2,382.3
O&M, Navy	2,317.3	2,033.7	2,260.6
O&M, Navy Reserve	117.1	104.8	116.5
Aircraft Procurement, Navy	1.8	1.3	1.5
Weapons Procurement, Navy	0.9	0.5	0.5
Other Procurement, Navy	1.0	0.7	0.8
Shipbuilding & Conversion, Navy	3.5	1.7	1.9
RDT&E, Navy	0.2	0.5	0.6
Military Construction, Navy & MC	0.0	0.0	0.0
Family Housing, O&M, Navy & MC	0.0	0.0	0.0
Military Personnel, Navy	0.0	0.0	0.0
Air Force	4,188.2	4,255.5	4,667.8
O&M, Air Force	2,818.0	2,980.3	3,269.1
O&M, Air Force Reserve	372.4	383.2	420.3
O&M, Air National Guard	925.1	822.5	902.2
RDT&E, Air Force	69.5	66.9	73.3
Aircraft Procurement, Air Force	0.1	0.1	0.1
Missile Procurement, Air Force	1.4	0.9	1.0
Military Construction, Air Force	0.0	0.0	0.0
Family Housing, O&M, Air Force	1.7	1.6	1.8
Reserve Personnel, Air Force	0.0	0.0	0.0
National Guard Personnel, Air Force	0.0	0.0	0.0
Marine Corps	38.9	57.0	62.7
O&M, MC	40.0	53.1	58.5
O&M, MC Reserve	0.0	1.7	1.9
Procurement, MC	-1.1	2.1	2.3
DoD Appropriated Accounts	145.1	95.3	105.1
O&M, Defense Wide, Defense	129.2	81.2	89.5
RDT&E, Defense-Wide	2.2	1.1	1.2
Procurement, Defense-Wide	1.6	0.5	0.5
Defense Health Program, Defense	5.8	2.6	2.8
DoD, Base Closure Account 1990	3.8	7.4	8.1
Defense Emergency Response Fund, Defense	1.3	1.7	1.8
Support for International Sporting Competitions, Defense	1.1	0.9	1.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2018 Budget Estimates
May 2017
(Dollars in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
b. Orders from Other Activity Groups	1,485.1	1,483.5	1,634.5
Army Working Capital Funds	6.1	49.8	54.9
Navy Working Capital Funds	442.7	502.3	558.3
Air Force Working Capital Funds	1,021.1	931.3	1,021.2
DLA, Defense Working Capital Fund	1.9	0.0	0.0
DECA, Defense Working Capital Fund	0.3	0.0	0.0
Other Working Capital Funds	2.3	0.0	0.0
Other DoD (no system report)	10.8	0.0	0.0
c. Total DoD	9,221.2	8,862.5	9,765.1
d. Other Orders:	1,047.9	989.2	1,096.5
Other Federal Agencies	309.3	422.8	466.1
Non-Federal Agencies	266.6	489.8	546.1
Foreign Military Sales	472.0	76.5	84.4
e. Total New Orders	10,269.2	9,851.6	10,861.7
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	10,269.2	9,851.6	10,861.7
4. Carry-Out Orders (-)	0.0	0.0	0.0
5. Sales Proceeds	0.0	0.0	0.0
6. Gross Sales (-)	10,269.2	9,851.6	10,861.7
7. Credits & Allowances (-)	-250.2	-569.5	-627.5
8. Net Sales	10,018.9	9,282.1	10,234.2
9. Reimbursable Sales/Other Income	18.3	38.0	39.1
10. Total Revenue	10,037.2	9,320.1	10,273.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Revenue and Expenses
Fiscal Year (FY) 2018 Budget Estimates
May 2017
(Dollars in Millions)

Revenue:	FY 2016	FY 2017	FY 2018
Gross Sales @ Standard	10,269.2	9,851.6	10,861.6
Operations	10,210.0	9,792.8	10,803.4
Capital Surcharge	-10.3	-8.4	-5.7
Capital Investment Recovery	69.5	67.3	63.9
Other Income	18.3	38.0	39.1
Refunds/Discounts (-)	-250.2	-569.5	-627.5
Total Income	10,037.2	9,320.1	10,273.3
Adjusted Income			
Total Income (allocated)	10,037.2	9,320.1	10,273.3
Expenses:			
Cost of Materiel Sold from Inventory	7,972.9	6,361.0	7,994.7
Inventory Gains/Losses	95.5	70.1	81.8
Salaries and Wages:	176.4	196.3	198.4
Military Personnel Costs	13.8	13.9	14.3
Civilian Personnel Compensation	162.5	182.5	184.3
Travel & Transportation of Personnel	6.3	9.2	9.3
Materials & Supplies (For internal use)	0.4	0.6	0.6
Equipment	0.0	1.7	1.8
Other Purchases from Revolving Funds	231.3	374.5	330.5
Transportation of Things	440.2	445.0	459.3
Capital Investment Recovery	69.5	67.3	63.9
Printing and Reproduction	0.2	0.5	0.5
Advisory and Assistance Services	11.6	21.0	21.5
Rent, Communication, and Utility	3.8	12.9	13.2
Other Purchased Services	538.8	1,085.3	1,112.5
Total Expenses (System)	9,547.1	8,645.4	10,288.0
Allocated Expenses			
Total Expenses (Allocated)	9,547.1	8,645.4	10,288.0
Operating Results	490.1	674.7	-14.7
Plus Passthroughs or Other	0.0	0.0	0.0
Other Changes Affecting NOR	-2,980.7	78.4	75.7
Cash Surcharge	0.0	0.0	0.0
Capital Surcharge	10.3	8.4	5.7
Transfers	-2,991.0	70.0	70.0
Net Operating Results	-2,490.6	753.2	61.0
Prior Year AOR	159.5	-2,331.1	-1,577.9
Other Changes Affecting AOR (Retained AOR)	0.0	0.0	1,517.0
Accumulated Operating Results (AOR)	-2,331.1	-1,577.9	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2018 Budget Estimates
May 2017
(Dollars in Millions)
FY 2016

Budget Petroleum Data	PROCURED FROM DLA ENERGY			PROCURED BY SERVICE			Stabilized Price
	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	
Petroleum Products							
AVGAS (CONUS) - 130	0.0	\$197.09	\$1.9				
AVGAS (OCONUS) - 100(LL)	0.0	\$441.49	\$5.5				
Diesel Fuel:							
Distillates - F76	13.8	\$100.12	\$1,377.2				
High Sulfur - DF1	0.0	\$99.05	\$0.0				
Generic (High Sulfur) - DF2	1.1	\$86.97	\$92.7				
Ultra Low Sulfur - DS1	0.2	\$105.41	\$22.6				
Ultra Low Sulfur - DS2	0.7	\$89.96	\$66.9				
Burner Grade - FS1	0.1	\$112.90	\$6.4				
Burner Grade - FS2	0.2	\$87.70	\$15.9				
Biodiesel - BDI	0.1	\$93.41	\$8.2				
Jet Fuel:							
JP8 & JA1	26.8	\$100.18	\$2,684.1				
JAA	32.5	\$96.62	\$3,138.8				
JP5	9.6	\$99.64	\$958.4				
JTS	0.1	\$153.02	\$15.3				
Kerosene - KS1	0.0	\$102.91	\$0.1				
Motor Gasoline:							
Regular, Unleaded - MUR	0.4	\$79.17	\$28.0				
Midgrade, Unleaded - MUM	0.3	\$78.82	\$21.0				
Premium, Unleaded - MUP	0.0	\$120.98	\$0.6				
Gasohol - GUM	0.0	\$92.57	\$0.9				
Ethanol - E85	0.2	\$90.12	\$13.9				
Residual:							
Burner Grade - FS4	0.0	\$52.08	\$0.0				
Residual (Burner Grade) - FS6	0.0	\$53.16	\$2.3				
FOR	0.1	\$20.94	\$1.7				
Bunkers - Marine - MGO	1.4	\$91.68	\$129.1				
Bunkers - Intermediate Grade - 180, 380	0.0	\$63.28	\$2.6				
Intoplane - Jet Fuel - IAL, IAA, IAB, IP8	5.1	\$111.96	\$571.3				
Non-Contract - Jet Fuel - NAL, NAA	1.0	\$123.60	\$126.2				
Non-Contract - Ground Fuel - NLS, NMU	0.4	\$97.74	\$38.5				
Afghanistan - NNJ	0.6	\$283.07	\$168.7				
Afghanistan - NNF	0.2	\$305.05	\$55.6				
Rounding Factor & Other Products	4.5	N/A	\$421.2				
TOTAL	99.3	\$99.73	\$9,975.4				

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Fuel Data
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017
 (Dollars in Millions)
 FY 2017

Budget Petroleum Data	PROCURED FROM DLA ENERGY			PROCURED BY SERVICE			
	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
Petroleum Products							
AVGAS (CONUS) - 130	0.0	\$107.94	\$0.6				
AVGAS (OCONUS) - 100(LL)	0.0	\$424.62	\$6.6				
Diesel Fuel:							
Distillates - F76	12.2	\$95.76	\$1,169.9				
High Sulfur - DF1	0.0	\$94.92	\$0.0				
Generic (High Sulfur) - DF2	1.0	\$85.26	\$89.0				
Ultra Low Sulfur - DS1	0.2	\$97.86	\$17.4				
Ultra Low Sulfur - DS2	0.6	\$91.56	\$57.6				
Burner Grade - FS1	0.0	\$92.82	\$4.0				
Burner Grade - FS2	0.2	\$81.90	\$15.0				
Biodiesel - BDI	0.1	\$91.56	\$8.7				
Jet Fuel:							
JP8 & JA1	28.2	\$94.92	\$2,675.2				
JAA	29.2	\$94.08	\$2,743.3				
JP5	9.4	\$96.18	\$906.3				
JTS	0.1	\$147.42	\$13.6				
Kerosene - KS1	0.0	\$93.24	\$0.1				
Motor Gasoline:							
Regular, Unleaded - MUR	0.4	\$92.82	\$32.6				
Midgrade, Unleaded - MUM	0.3	\$97.86	\$25.7				
Premium, Unleaded - MUP	0.0	\$109.62	\$0.7				
Gasohol - GUM	0.0	\$97.86	\$0.8				
Ethanol - E85	0.1	\$92.82	\$11.7				
Residual:							
Burner Grade - FS4	0.0	\$60.06	\$0.7				
Residual (Burner Grade) - FS6	0.3	\$47.46	\$12.4				
FOR	0.0	\$35.70	\$1.8				
Bunkers - Marine - MGO	2.0	\$99.12	\$195.3				
Bunkers - Intermediate Grade - 180, 380	0.1	\$71.40	\$3.8				
Intoplane - Jet Fuel - IAL, IAA, IAB, IP8	4.8	\$107.94	\$514.7				
Non-Contract - Jet Fuel - NAL, NAA	1.1	\$115.92	\$122.1				
Non-Contract - Ground Fuel - NLS, NMU	0.4	\$99.54	\$40.2				
Afghanistan - NNJ	0.7	\$273.00	\$190.8				
Afghanistan - NNF	0.2	\$304.50	\$58.1				
Rounding Factor & Other Products	5.7	N/A	\$307.1				
TOTAL	97.2	\$94.92	\$9,225.9				

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Fuel Data
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017
 (Dollars in Millions)
 FY 2018

Budget Petroleum Data	PROCURED FROM DLA ENERGY			PROCURED BY SERVICE			
	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
Petroleum Products							
AVGAS (CONUS) - 130	0.0	\$118.86	\$1.1				
AVGAS (OCONUS) - 100(LL)	0.0	\$467.88	\$5.7				
Diesel Fuel:							
Distillates - F76	13.5	\$105.42	\$1,419.2				
High Sulfur - DF1	0.0	\$104.58	\$0.0				
Generic (High Sulfur) - DF2	1.0	\$94.08	\$98.1				
Ultra Low Sulfur - DS1	0.2	\$107.52	\$22.5				
Ultra Low Sulfur - DS2	0.7	\$100.80	\$73.4				
Burner Grade - FS1	0.1	\$102.06	\$5.6				
Burner Grade - FS2	0.2	\$90.30	\$16.1				
Biodiesel - BDI	0.1	\$100.80	\$8.7				
Jet Fuel:							
JP8 & JA1	26.2	\$104.58	\$2,742.1				
JAA	31.8	\$103.74	\$3,298.4				
JP5	9.4	\$105.84	\$996.4				
JTS	0.1	\$162.54	\$15.9				
Kerosene - KS1	0.0	\$102.90	\$0.1				
Motor Gasoline:							
Regular, Unleaded - MUR	0.3	\$102.06	\$35.3				
Midgrade, Unleaded - MUM	0.3	\$107.94	\$28.2				
Premium, Unleaded - MUP	0.0	\$120.96	\$0.6				
Gasohol - GUM	0.0	\$107.94	\$1.1				
Ethanol - E85	0.2	\$102.06	\$15.4				
Residual:							
Burner Grade - FS4	0.0	\$66.36	\$0.0				
Residual (Burner Grade) - FS6	0.0	\$52.50	\$2.2				
FOR	0.1	\$39.48	\$3.1				
Bunkers - Marine - MGO	1.4	\$108.78	\$149.9				
Bunkers - Intermediate Grade - 180, 380	0.0	\$78.54	\$3.2				
Intoplane - Jet Fuel - IAL, IAA, IAB, IP8	5.0	\$118.86	\$593.6				
Non-Contract - Jet Fuel - NA1, NAA	1.0	\$127.68	\$127.6				
Non-Contract - Ground Fuel - NLS, NMU	0.4	\$109.62	\$42.2				
Afghanistan - NNJ	0.6	\$273.00	\$159.2				
Afghanistan - NNF	0.2	\$304.50	\$54.3				
Rounding Factor & Other Products	4.4	N/A	\$246.5				
TOTAL	97.2	\$104.58	\$10,165.5				

**Defense Logistics Agency
 Defense Wide Working Capital Fund (DWWCF)
 DLA Document Services
 Fiscal Year (FY) 2018 Budget Estimates
 May 2017**

FUNCTIONAL DESCRIPTION: DLA Document Services is responsible for Department of Defense (DoD) printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated services to include conversion, electronic storage and output, and distribution of hard copy and digital documents. DLA Document Services provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office.

DLA Document Services' value to DoD is characterized by two elements. First, DLA Document Services provides a full portfolio of best value document services ranging from traditional offset printing, through on-demand output, to online document management services. Second, DLA Document Services actively functions as a transformation agent moving DoD toward the use of online documents and services. These services include building libraries of digital documents to permit online access, providing multifunctional devices (that print from networks, copy, fax, and scan) in customer workspaces, and converting paper documents to digital formats.

DLA Document Services manages this worldwide mission through a customer service network comprised of a Headquarters located at New Cumberland, Pennsylvania, and 132 production facilities.

CUSTOMERS:

DLA Document Services' primary customers by revenue are Army, Navy, Air Force, Defense Agencies, and non-DoD customers. Both appropriated and DWCF-funded activities are included in each Service's new orders.

(In millions)

	FY16	FY17	FY18
Army	54.126	59.063	59.300
Navy	114.301	155.673	156.679
USAF	38.185	46.238	46.820
DoD	102.728	105.016	105.442
Other Federal	22.622	28.925	29.226
Non-Federal	.37	.203	.212
Total New Orders	332.332	395.118	397.679

BUDGET HIGHLIGHTS

The submission reflects growth in the Equipment Management Solutions (EMS) program by providing the management of office print devices, respective supplies and services specific to individual organizational needs. The program driver is the Department of Navy (DON) DLA Mandatory Print Device Initiative. The DON policy on office document devices – Copiers, Printers, Fax Machines, Scanners and Multi-functional Devices (MFD) Policy – was signed by the DON Chief Information Officer (CIO) in January 2013. The policy established DLA Document Services as the single manager for Navy and United States Marine Corps (USMC) office document devices. When fully implemented, DLA will manage the approximately 70,000 printing-related devices throughout the DON and the USMC. Additionally, the submission reflects projected increases from the US Coast Guard and DLA based on requirement assessments performed by Document Services in fiscal year 2015.

The submission also reflects DLA Document Services efforts with the National Geospatial-Intelligence Agency (NGA). Phase I of this initiative resulted in the transition of bulk printing, warehousing and shipping to remote on-demand output, ultimately providing a cost savings to the Department. Phase II, which commenced in June 2015, involved the production of DoD Flight Information Publications (FLIP) products. FLIP includes books, publications and charts to support DoD and non-DoD customers requiring these products for worldwide aeronautical navigation safety. DLA Document Services accomplishes this workload using a combination of in-house capability and contract work.

PERFORMANCE INDICATORS

DLA Document Services conducts quarterly reviews of all facilities' performance and ability to recover direct and overhead costs. As a result of these reviews, DLA Document Services closed eight facilities between budget cycle PBR17 and PBR18. FY 2017 data will be presented in the FY 2018 President's Budget request.

1) Customer Satisfaction: This performance metric measures satisfied customers as the percentage of customers ranking DLA Document Services performance as "satisfied" or "very satisfied." DLA Document Services uses a survey, professionally prepared and administered by an independent entity, to determine an overall customer satisfaction rating. The customer satisfaction survey is no longer taking place due to systemic email issues and cost concerns. During FY16, other methods were used to gauge customer satisfaction such as surveys of new and ongoing MFD customers, customer kudos, and letters of appreciation. DLA Document Services will continue to use these same methods going forward to measure customer satisfaction.

2) Quality of Products and Services: This performance metric measures customer satisfaction with quality of finished product as a percentage of customers ranking DLA Document Services quality performance as "satisfied" or "very satisfied." DLA Document Services uses a survey, professionally prepared and administered by an independent entity, to determine quality of finished product rating.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Customer Satisfaction	N/A	N/A	N/A
Quality of Finished Product	N/A	N/A	N/A

UNIT COST AND PRICING

	<u>FY 2016 Goal</u>	<u>FY 2016 Actual</u>
Unit Cost per In-house Production Unit	0.2042	0.1644

DLA measures the effectiveness of program budgeting and execution with a unit cost performance measure. During FY 2016, DLA Document Services exceeded its unit cost goal due to a reduction in facility-level overhead and an increase in units produced. DLA Document Services produced 17% more in-house units than planned (773 million actual versus 658 million planned). Traditional unit-based print production was significantly augmented by the Office of Personnel and Management requirement to print data breach notification letters. Actual in-house costs were 6% lower than planned (\$127.1 million actual versus \$134.2 million planned).

	<u>FY 2016 Goal</u>	<u>FY 2016 Actual</u>
Composite Customer Rate Change	-2.17%	1.15%

The composite customer rate change is the weighted average of the in-house production unit revenue change and the commercial program revenue change. The in-house production unit revenue change is calculated by dividing in-house revenue by the in-house production units. Commercial program revenue is cost-plus. The non-labor inflation rate is used as the price change for the cost plus fixed fee commercial program. The primary driver for the higher than planned composite customer rate change in FY 2016 is Document Services' shift from unit-based output to digital output services.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Unit Cost			
In-House Production	0.1644	0.1840	0.1871
Customer Rate	0.1642	0.1571	0.1583
Composite Customer Rate Change	1.15%	1.36%	-1.30%

ANALYSIS OF BUDGET STATEMENTS

Net Operating Result (NOR)/Accumulated Operating Result (AOR):

The NOR measures a single fiscal year impact of revenue and expenses incurred by the business. A positive NOR demonstrates that revenues exceeded expenses for the business activity.

AOR reflects multi-year results of annual NORs. It measures the accumulated effects of NORs from the inception of the business unit and demonstrates fiscal strength over a longer time. The recoverable AOR reflects AOR based on Accounting NOR.

DLA Document Services ended FY 2016 with a NOR gain of \$11.5 million against a PB17 goal of a \$5.3 million gain. The higher than goal FY 2016 results are primarily driven by higher than planned in-house sales. The FY 2017 positive NOR and FY 2018 negative NOR projections are to return the AOR back to zero. FY 2018 savings will be returned to the Services through lower rates for products and services.

	<u>FY 2016</u> <u>Actual</u>	<u>FY 2017</u>	<u>FY 2018</u>
Revenue	334.721	390.338	391.631
Cost of Goods Sold	323.185	385.932	396.483
Cash Surcharge			
Capital Surcharge			
Inventory Surcharge			
Other Changes Affecting NOR	0	0	0
Net Operating Results	(11.536)	4.406	(4.852)
Prior Year Accumulated Operating Results	(12.167)	0.446	4.852
Non-Recoverable Adjustment Impacting AOR	1.077		
Ending Accumulated Operating Result	0.446	4.852	0.000
Workload			
In-House Production (Units)	773.0	692.9	697.0

OUTLAYS: Net outlays measure the difference between collections and disbursements. Negative net outlays reflect collections in excess of disbursements. Positive net outlays reflect disbursements in excess of collections. Disbursements are driven primarily by expense and the change in accounts payable. Collections are driven primarily by revenue and the change in accounts receivable. Positive numbers in accounts payable and receivable indicate an increase while negative numbers represents a decrease.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Expense (less CIR)	319.630	384.440	395.962
Capital Disbursements	0.000	.973	.660
Accounts Payable Change	12.437	8.951	8.216
Disbursements	307.193	376.462	388.406
Revenue	334.721	390.338	391.631
Accounts Receivable Change	10.214	5.419	5.591
Collections	324.507	384.919	385.603
Net Outlays	(17.314)	(8.457)	2.803

The overall net outlays reflect positive NOR for fiscal years 2016 and 2017. Accounts payable and accounts receivable projected to increase in fiscal years 2017 and 2018 due to the increased Equipment Management Solutions (EMS) requirements.

PERSONNEL: This submission reflects full-time equivalents required to produce the projected workload.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Civilian End Strength	632	644	644
Civilian Full-Time Equivalents	638	634	634

CAPITAL BUDGET: The capital budget is the account used to fund investments exceeding the \$250,000 expense/investment criteria for: (1) Automated Data Processing Equipment (ADPE); (2) Non-ADPE; and (3) software developed for operational and management information systems. The equipment (ADPE) and software development capital support DLA Document Services function as a transformation agent moving DoD toward the use of online documents and services. Capital for minor construction projects are used to fund investments exceeding \$250,000. A capital budget item is assumed to have zero salvage value and is depreciated on a straight-line basis over its useful life. Depreciation is expensed and recovered as business related cost in DLA Document Services prices.

(\$M)	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Capital Budget Program			
Equipment (Non-ADPE)	0.000	0.000	0.000
Equipment (ADPE)	0.000	0.000	0.665
Software Development (SWD)	0.798	0.000	2.572
<u>Minor Construction</u>	<u>0.000</u>	<u>0.324</u>	<u>0.330</u>
Total	0.798	0.324	3.567

Beginning in fiscal year 2016, all Non-ADPE requirements will be below the \$250,000 capital threshold and not require capital funds. Document Services will restore requirements for ADPE and SWD in 2018. Minor construction will support renovations and alterations to administrative and operational facilities.

SERVICE LEVEL BILLING TO SERVICES

DLA Document Services performs service level billing for both the Electronic Document Access (EDA) and Wide Area Workflow programs. EDA total expense is allocated at 25% for each Service plus DLA. WAWF billing allocation is based on contract payment transactions used by each Service.

Electronic Document Access

(\$M)	FY 17	FY 18	FY 19
Army	2.750	2.668	2.721
Navy	2.062	2.000	2.040
Air Force	2.750	2.668	2.721
Marine Corps	0.687	0.666	0.681
DLA	2.750	2.668	2.721
Total	10.999	10.670	10.884

Wide Area Workflow*

(\$M)	FY 17	FY 18	FY 19
Army	3.877	5.025	5.126
Navy	3.031	3.929	4.007
Air Force	2.256	2.924	2.983
Marine Corps	0.564	0.732	0.746
DLA	4.800	6.222	6.346
DCMA	3.172	4.112	4.194
Total	17.700	22.944	23.402

* Totals may not match due to rounding

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 DLA Document Services
 Changes in the Cost of Operation
 Fiscal Year (FY) 2018 - 2022 Program and Budget Submission
 May 2017

	<u>Cost</u>
FY 16 Actual:	323.2
FY 17 Estimate in President's Budget	394.1
Estimated Impact in FY 16 of Actual	
FY 16 Experience	
Civilian Personnel	(1.2)
Travel of Persons	(0.1)
Material & Supplies	0.9
Commercial Equipment Purchases	1.6
Other Purchased Services from Revolving Fund	(1.8)
Transportation of things	0.3
Printing and Reproduction	(16.7)
Advisory and Assistance Services	0.3
Rent, Communications, Utilities, and Misc	(27.1)
Other Purchased Services	13.8
Capital Investment Recovery	0.3
Pricing Adjustments:	
Annualization of FY 16 Pay Raise	0.2
FY 17 Pay Raise	0.8
General Purpose Inflation	5.1
Program Changes:	
Civilian Personnel	(4.5)
Travel of Persons	(0.1)
Material & Supplies	0.0
Commercial Equipment Purchases	(1.1)
Other Purchased Services from Revolving Fund	7.1
Transportation of things	(0.1)
Printing and Reproduction	9.4
Advisory and Assistance Services	(0.7)
Rent, Communications, Utilities, and Misc	nis
Other Purchased Services	(7.6)
Capital Investment Recovery	(0.1)
FY 17 Current Estimate	372.8
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.3
FY 18 Pay Raise	0.7
General Purpose Inflation	6.7
Program Changes:	
Civilian Personnel	(0.1)
Travel of Persons	0.0
Material & Supplies	0.2
Commercial Equipment Purchases	0.4
Other Purchased Services from Revolving Fund	0.0
Transportation of things	(0.1)
Printing and Reproduction	(4.1)
Advisory and Assistance Services	0.1
Rent, Communications, Utilities, and Misc	6.6
Other Purchased Services	0.9
Capital Investment Recovery	(1.0)
FY 18 Current Estimate	383.4

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 DLA Document Services
 Fiscal Year (FY) 2018 Budget Estimates
 Source of New Orders and Revenue
 (\$ in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
1. New Orders			
a. Orders from DoD Components	220.423	276.372	278.190
Department of the Navy	99.746	140.973	141.817
Operations and Maintenance, Navy	62.211	84.574	84.780
Operations and Maintenance, Marine Corps	25.358	33.533	33.642
O&M, Navy Reserve	2.001	2.951	3.084
O&M, Marine Corps Reserve	0.948	1.873	1.957
Aircraft Procurement, Navy	0.213	0.848	0.886
Shipbuilding & Conversion, Navy	0.427	0.421	0.440
Research, Development, Test & Eval, Navy	0.542	0.517	0.540
Military Construction, Navy	0.001	0.000	0.000
Other Navy Appropriations	0.941	2.906	3.037
Credit Card Purchases, Navy	7.104	13.350	13.451
Department of the Army	48.625	53.702	53.898
Army Operation and Maintenance	35.401	40.213	40.223
O&M, Army Reserve	0.913	0.432	0.451
Army National Guard	1.611	1.603	1.675
Army Res, Dev, Test & Eval Accounts	1.776	1.364	1.405
Army Procurement Accounts	0.567	0.657	0.687
Army Other	0.750	0.222	0.232
Credit Card Purchases, Army	7.607	9.211	9.225
Department of the Air Force	29.707	38.434	38.865
Air Force Operation & Maintenance	20.278	30.505	30.678
O&M, Air Force Reserve	0.386	0.399	0.417
Air Force National Guard	0.432	0.440	0.460
Air Force Res, Dev, Test & Eval Accounts	3.134	0.329	0.344
Air Force Procurement Accounts	1.343	0.647	0.676
Air Force Other	0.233	1.300	1.359
Credit Card Purchases, Air Force	3.901	4.814	4.931
DoD Appropriated Accounts	42.345	43.263	43.610
Operation & Maintenance Accounts	18.707	19.796	19.887
Res, Dev, Test & Eval Accounts	0.563	0.002	0.002
Procurement Accounts	0.021	0.088	0.092
Military Construction, Defense	0.000	0.000	0.000
Defense Health Program	18.473	17.548	17.638
DoD Other	0.560	0.493	0.515
Credit Card Purchases, Defense	4.021	5.336	5.476
b. Orders from other Fund Activity Groups	88.917	89.618	90.051
Navy	14.555	14.700	14.862
Army	5.501	5.361	5.402
Air Force	8.478	7.804	7.955
Other DoD	60.383	61.753	61.832
c. Total DoD	309.340	365.990	368.241
d. Other Orders	22.992	29.128	29.438
Other Federal Agencies	22.622	28.114	28.379
Credit Card Purchases	0.000	0.811	0.847
Non-Federal Agencies and Other	0.370	0.203	0.212
Total New Orders	332.332	395.118	397.679
2. Carry-In Orders	30.417	28.028	32.808
3. Total Gross Orders	362.749	423.146	430.487
4. Funded Carry-Over	28.028	32.808	38.856
5. Total Gross Sales	334.721	390.338	391.631

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Document Services
Revenue and Cost
Fiscal Year (FY) 2018 - 2022 Program and Budget Submission
May 2017

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Revenue			
Gross Sales	334.721	390.338	391.631
Operations	0.000	0.000	0.000
Capital Surcharge	0.000	0.000	0.000
Depreciation excluding Major Construction	0.000	0.000	0.000
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts (-)	0.000	0.000	0.000
Total Income:	334.721	390.338	391.631
Cost			
Cost of Material Sold from Inventory	0.000	0.000	0.000
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel Compensation & Benefits	50.920	51.778	52.660
Travel & Transportation of Personnel	0.214	0.536	0.546
Materials & Supplies (For Internal Operations)	16.377	18.624	19.198
Equipment Purchases	9.077	8.192	8.721
Other Purchases from Revolving Funds	10.143	14.969	15.261
Transportation of Things	1.707	2.099	2.036
Capital Investment Recovery	3.555	1.492	0.521
Printing and Reproduction	63.638	73.826	71.200
Advisory and Assistance Services	1.155	0.653	0.791
Rent, Communications, Utilities, & Misc. Charges	76.687	115.365	124.317
Other Purchased Services	89.712	98.398	101.232
Total Expenses:	323.185	385.932	396.483
Operating Result	11.536	4.406	(4.852)
Net Operating Result	11.536	4.406	(4.852)
Prior Year Adjustments			
Prior Year AOR	(12.167)	0.446	4.852
Accumulated Operating Result	(0.631)	4.852	0.000
Non-Recoverable Adjustment Impacting AOR:			
Deferred Operating Results and Depreciation	1.077		
Accumulated Operating Results for Budget Purposes	0.446	4.852	0.000

**Fiscal Year (FY) 2018 Budget Estimates
 Defense Finance and Accounting Service
 Activity Capital Purchase Justification
 May 2017
 (Dollars in Millions)**

		FY 2016		FY 2017		FY 2018	
Line Number	Item Description	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE Equipment		\$ -		\$ -		\$ -
2	ADPE & Telecom Equip						
2a	- Computer Hardware (Production)		\$ 0.0		\$ -		\$ 5.7
2b	- Computer Hardware (Network)		\$ 10.9		\$ 14.4		\$ 12.6
2c	- Computer Software (Operating System)		\$ -		\$ -		\$ -
2d	- Telecommunications		\$ 2.4		\$ 7.9		\$ 2.6
2e	- Other Support Equipment		\$ -		\$ -		\$ -
3	Software Development						
3a	- Internally Developed		\$ 13.8		\$ 6.5		\$ 1.0
3b	- Externally Developed		\$ 7.1		\$ 9.3		\$ 1.9
4	Minor Construction Capabilities						
4a	- Replacement		\$ -		\$ -		\$ -
4b	- New Construction		\$ 3.1		\$ 1.5		\$ 7.5
4c	- Environmental		\$ -		\$ -		\$ -
	TOTAL OBLIGATIONS		\$ 37.2		\$ 39.5		\$ 31.3
	Total Capital Outlays		\$ 25.7		\$ 35.3		\$ 34.6
	Total Depreciation Expense		\$ 38.2		\$ 37.3		\$ 36.2

Fiscal Year (FY) 2018 Budget Estimates
 Defense Finance and Accounting Service
 Capital Purchase Justification
 ADPE Telecom
 May 2017

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 2 - ADPE and Telecom Equipment 2a - Computer Hardware (Production)						D. Activity Identification A. ACMS		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
A. Agency Content Management System			\$ -			\$ -			\$ 3,103

Narrative Justification:
 A. A new system called Agency Content Management System (ACMS) and will be utilizing a content management system with capabilities to allow developing, edit/maintaining, storing, searching, auditing and reporting for all of the Agency's internal and external customer's document management accountability. It will also allow documentation workflow, retention mandates, PII redaction to be achieved.

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 2 - ADPE and Telecom Equipment 2a - Computer Hardware (Production)						D. Activity Identification B. DMI		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
B. Desktop Management Initiative (DMI)			\$ -			\$ -			\$ 2,345

Narrative Justification:
 B. The Desktop Management Initiative (DMI) program provides full desktop computing support for the agency, to include 24/7 centralized helpdesk, on site break/fix repairs, new hardware and software installation, PII security, user data backup, standard image creation and maintenance for desktops, and software engineering services. It also provides software maintenance for standard desktop commercial software, as well as desktop computing hardware. FY18 funds will provide a new application/requirement that is a different way to do desktop computing called a Virtual Desktop Initiative (VDI). It will allow the agency to provide support more efficiently and will allow for updates to images and pushes to be more efficient.

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 2 - ADPE and Telecom Equipment 2a - Computer Hardware (Production)						D. Activity Identification C. DFAS Portal		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
C. DFAS Portal			\$ -			\$ -			\$ 275

Narrative Justification:
 C. The DFAS Portal will be the Agency's collaborative environment for accessing information, conducting business, and managing operations. Employees and customers will come together in this environment to support their business operations. FY18 funds will fulfill a requirement for high-availability (HA) to reduce Recovery Time Objective (RTO) and Recovery Point Objective (RPO).

Fiscal Year (FY) 2018 Budget Estimates
 Defense Finance and Accounting Service
 Capital Purchase Justification
 ADPE Telecom
 May 2017

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 2 - ADPE and Telecom Equipment 2b - Computer Hardware (Network)			D. Activity Identification A. ELAN					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
A. Enterprise Local Area Network (ELAN)						\$ 7,347			\$ 12,680			\$ 7,300
Narrative Justification: A. ELAN is the primary backbone computing infrastructure for the Agency. Major services include network connectivity, messaging and fax services, collaboration capabilities, remote connectivity, network storage, and application hosting environments to enable DFAS Lines of Business to accomplish their respective missions. FY18 funds will allow for sustainment efforts to ensure that the various services offered by the infrastructure are kept in compliance. This includes equipment replacement scheduled for vendor end-of-service life, upgrades for compatibility, addressing security requirements and satisfying DoD mandates. FY17 funds will focus on hardware refresh of several infrastructure components for sustainment of the assets.												

Fiscal Year (FY) 2018 Budget Estimates
 Defense Finance and Accounting Service
 Capital Purchase Justification
 Software
 May 2017

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 3- Software Development 3a - Internally Developed						D. Activity Identification A. DDS		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
A. Deployable Disbursing System (DDS)			\$ 381			\$ -			\$ 981

Narrative Justification:
 A. Deployable Disbursing System (DDS) currently provides Disbursing support for the DFAS, Army, and USMC, but does not serve the Navy. FY18 funding will focus on movement of Navy work to DDS to fit the Agency's Standard Disbursing Initiative goal. Currently there is no standard disbursing system for transaction level input for the Navy war fighter or installation level disbursing. Navy entitlement systems are manually updated. Functionality must be put in place and interfaces developed to allow DDS to meet the Navy's disbursing system requirements. Navy disbursing will be standardized and streamlined to follow same type processes that the Army and USMC perform.

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 3- Software Development 3a - Internally Developed						D. Activity Identification B. eBiz		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
B. Electronic Business (eBiz)			\$ 625			\$ 3,400			\$ -

Narrative Justification:
 B. eBiz is a commercial-off-the-shelf (COTS) web-based application providing DFAS with enterprise financial management and resource planning capability. The system includes functionality for timekeeping, US standard general ledger, accounts payable, purchasing, workcounts, cost allocation and reimbursable billing. The system interfaces to DFAS/DoD systems. FY17 funds will allow an upgrade to the eBiz system to incorporate new functionality for the entitlements and contract writing modules to elevate it to an Enterprise Resource Plan (ERP) for DFAS.

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 3- Software Development 3a - Internally Developed						D. Activity Identification C. NFT		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
C. Navy Fund Balance with Treasury (NFT)			\$ -			\$ 1,580			\$ -

Narrative Justification:
 C. NFT provides the identification of improper payments. The NFT effort will allow DFAS to bring this effort in-house based on owning the current source logic and requirements for the workload. FY17 funding is for an increase needed in hosting and labor to complete project.

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 3- Software Development 3a - Internally Developed						D. Activity Identification D. CMS		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
D. Case Management System (CMS)			\$ -			\$ 757			\$ -

Narrative Justification:
 D. CMS provides the capability to create cases (automated or manual entry) relative to processing military pay and personnel transactions, managing problem cases, and tracking timeliness of case resolution. FY17 funds will be used to solve the existence of multiple, duplicative systems and applications DFAS uses to perform tracking of customer issues. The information Management and Tracking System (IMATS), an application within the Mechanization of Contract Administrative Services Mid-Tier system, performs tracking of customers issues similar to CMS.

Fiscal Year (FY) 2018 Budget Estimates
 Defense Finance and Accounting Service
 Capital Purchase Justification
 Software
 May 2017

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 3- Software Development 3a - Internally Developed			D. Activity Identification E. SABRS					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
E. Standard Accounting Budgeting and Reporting System (SABRS)						\$ 1,422			\$ 600			\$ -
Narrative Justification: E. The Standard Accounting Budgeting and Reporting System (SABRS) mission is to support accounting, budget execution, and reporting for all general funds authorized within the Marine Corps and some Navy Commands, standardize accounting processes, comply with applicable Federal Financial Management Requirements (FFMRs), satisfy requirements of the Federal Financial Managers' Improvement Act (FFMIA) of 1996, Chief Financial Officers (CFO) Act of 1990, and Government Management Reform Act (GMRA) of 1994. The SABRS customer base includes all Marine Corps components, DFAS and some Navy components. SABRS is the single general fund accounting system used by the Marine Corps and Navy. \$2.6M is anticipated of which \$2M for CDA support to cover system change requests to update and modify current interface partners with increase of additional transactions for the remaining Navy Major Commands from the Navy STARS coming into SABRS. Other functional changes needed are upgrading of systems tables, user access tables, producing additional online report inquires and adding new LOA's for the remaining Navy Major Commands. \$.6M is estimated for additional program management, change management, and system analysis support during FY17.												

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 3- Software Development 3a - Internally Developed			D. Activity Identification F. myPay					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
F. myPay						\$ -			\$ 144			\$ -
Narrative Justification: F. myPay is a web-based software application providing the end user with the ability to view financial statements and make certain personal financial and human resource related transactions via the government's electronic commerce. The myPay initiative supports expansion of e-government to other federal agencies. FY17 funding will focus on a new requirement for implementation of the Blended Retirement initiative, focusing on the establishment of an automated Opt-in process. The Department has directed DFAS to provide an Opt-in capability for Services Members in the Active and Reserve Components of the United States Army, Navy, and Air Force via web functionality. DFAS will extend its existing myPay capability to meet this requirement.												

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification A. EDM					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
A. Electronic Data Management (EDM)						\$ -			\$ -			\$ 1,600
Narrative Justification: A. The Electronic Document Management (EDM) system provides users the capability to scan, index and process hardcopy and electronic invoices, updates invoice status and history and reports statistical data. FY18 funding will cover to projects to include 1) an upgrade to Microsoft Visual Basic 6 for development tools that are no longer supported, and; 2) modifying the EDM platform to incorporate capabilities available on web-based platforms. Both projects will substantially improve the capability of EDM.												

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification B. WAWF					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
B. Wide Area Workflow (WAWF)						\$ -			\$ -			\$ 260
Narrative Justification: B. Wide Area Workflow (WAWF) is a paperless application, which eliminates time and expenses of mail processing. It is also a secure method of invoicing. With on-line validation, you can monitor your acceptance and payment documents for accuracy. This means fewer rejected invoices and fewer delayed payments. WAWF is a customer friendly environment whether you are in a large corporation or part of a small private enterprise. FY18 and FY17 funds will focus on emerging change proposals to the system based on new system releases.												

Fiscal Year (FY) 2018 Budget Estimates
 Defense Finance and Accounting Service
 Capital Purchase Justification
 Software
 May 2017

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification C. eBiz					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
C. Electronic Business (eBiz)						\$ 2,577			\$ 5,140		\$ -	
Narrative Justification: C. eBiz is a commercial-off-the-shelf (COTS) web-based application providing DFAS with enterprise financial management and resource planning capability. The system includes functionality for timekeeping, US standard general ledger, accounts payable, purchasing, workcounts, cost allocation and reimbursable billing. The system interfaces to DFAS/DoD systems. FY17 funds will allow an upgrade to the eBiz system to incorporate new functionality for the entitlements and contract writing modules to elevate it to an Enterprise Resource Plan (ERP) for DFAS.												

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification D. SABRS					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
D. Standard Accounting Budgeting and Reporting System (SABRS)						\$ 1,178			\$ 2,000		\$ -	
Narrative Justification: D. The Standard Accounting Budgeting and Reporting System (SABRS) mission is to support accounting, budget execution, and reporting for all general funds authorized within the Marine Corps and some Navy Commands, standardize accounting processes, comply with applicable Federal Financial Management Requirements (FFMRs), satisfy requirements of the Federal Financial Managers' Improvement Act (FFMIA) of 1996, Chief Financial Officers (CFO) Act of 1990, and Government Management Reform Act (GMRA) of 1994. The SABRS customer base includes all Marine Corps components, DFAS and some Navy components. SABRS is the single general fund accounting system used by the Marine Corps and Navy. \$2.6M is anticipated of which \$2M for CDA support to cover system change requests to update and modify current interface partners with increase of additional transactions for the remaining Navy Major Commands from the Navy STARS coming into SABRS. Other functional changes needed are upgrading of systems tables, user access tables, producing additional online report inquires and adding new LOA's for the remaining Navy Major Commands. \$.6M is estimated for additional program management, change management, and system analysis support during FY17.												

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification E. goDocs					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
E. goDocs						\$ 378			\$ 1,233		\$ -	
Narrative Justification: E. goDocs is the solution to re-engineer three single systems and combine them into one common platform to achieve Department of Defense (DoD) goals. The common processing platform will be conducive to the customers and more efficient with less cost. It will eliminate audit failures, vendor constraints, and burning platforms. FY17 funding will focus on additional costs from a FY14 project for additional hosting needed to complete the project.												

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017				C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification F. DFAS Portal					
Element of Cost				FY 2016			FY 2017			FY 2018		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
F. DFAS Portal						\$ 1,800			\$ 709		\$ -	
Narrative Justification: F. The DFAS Portal will be the Agency's collaborative environment for accessing information, conducting business, and managing operations. Employees and customers will come together in this environment to support their business operations. FY17 funds will focus on an increase in DISA hosting cost until Initial Operating Capability (IOC) is obtained.												

Fiscal Year (FY) 2018 Budget Estimates
 Defense Finance and Accounting Service
 Capital Purchase Justification
 Software
 May 2017

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 3- Software Development 3b - Externally Developed						D. Activity Identification G. myPay		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
G. myPay			\$ -			\$ 173			\$ -
Narrative Justification: G. myPay is a web-based software application providing the end user with the ability to view financial statements and make certain personal financial and human resource related transactions via the government's electronic commerce. The myPay initiative supports expansion of e-government to other federal agencies. FY17 funding will focus on a new requirement for implementation of the Blended Retirement initiative, focusing on the establishment of an automated Opt-in process. The Department has directed DFAS to provide an Opt-in capability for Services Members in the Active and Reserve Components of the United States Army, Navy, and Air Force via web functionality. DFAS will extend its existing myPay capability to meet this requirement.									

**Fiscal Year (FY) 2018 Budget Estimates
 Defense Finance and Accounting Service
 Capital Purchase Justification
 Minor Construction
 May 2017**

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) May 2017	C. Line No and Item Description 4 - Minor Construction Capabilities						D. Activity Identification		
Element of Cost	FY 2016			FY 2017			FY 2018		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
4b - New Construction									
A. Columbus			\$ 2,199			\$ 825			\$ 2,141
B. Indianapolis			\$ 914			\$ -			\$ 1,990
C. Limestone			\$ -			\$ -			\$ 1,955
D. Rome			\$ -			\$ 670			\$ 957
E. Cleveland			\$ -			\$ -			\$ 475
Total New Construction			\$ 3,113			\$ 1,495			\$ 7,518
Narrative Justification:									
<p>A. FY18 funds will cover three projects to include 1) restroom improvements to enable DFAS to meet the mandated 36% water reduction goals; 2) a generator upgrade that will add two additional backup generators to provide minimum life safety requirements, and 3) a telework hoteling space enhancement that will provide additional group and shared work areas to scale down employee footprint. FY17 funds will focus on energy and HVAC projects.</p> <p>B. FY18 funds will cover renovations of two areas that will provide upgrades to include rerouting of HVAC supply and return lines, installation of data close stand-alone equipment cooling system, relocation of fire suppression system and water lines, electrical system upgrades to include back up emergency power for critical mission systems and a fire detection system upgrade.</p> <p>C. FY18 funds is for four projects to include 1) adding additional solar lighting for parking lots. This will complete phase three of the solar lighting initiative in the east parking lot and add additional solar lights in poorly lit areas in the front parking lots. DFAS has a requirement to report energy conservation for Rome/Limestone and this project will reduce energy consumption by the use of solar power lights; 2) a redesign/expansion of sidewalks for improved emergency egress from the facility to evacuation gathering points; 3) a loading dock redesign/extension that will provide a protective overhang and dumpster hardened wall that will provide safety to staff members, and; 4) weather protective security gate canopies that will install prefabricated canopies over security gates to reduce weather exposure to gate mechanisms, maintain effectiveness of in-ground security loop sensors and card access readers.</p> <p>D. FY18 funds is for a security office reconfiguration. The purpose of this project is to wall in the security office to restrict access to Common Access Card (CAC) machine, instruments and card stock to security personnel only. FY17 funding will focus on building entry point security improvements that will increase the level of security at entry points.</p> <p>E. FY18 funding will focus on a sensitive activities build out project for approximately 12,000 square feet of warehouse space to provide a secret level facility for handling perspective work.</p> <p>No Minor Construction projects exceed the current Military Construction threshold.</p>									

**Fiscal Year (FY) 2018 Budget Estimates
Defense Finance and Accounting Service
Capital Budget Execution
May 2017
(Dollars in Millions)**

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
FY 2016				
ADPE and Telecom	\$ 15.634	\$ 13.276	\$ (2.358)	Decrease due to final ELAN, Security, and Teleservices contracts coming in lower than originally projected costs.
Software Development	\$ 14.710	\$ 20.833	\$ 6.123	Slight increase in FY16 requirements due an emerging requirement for DJMS-AC and RC for Blended Pay Retirement, offset by the cessation of the DCD/DCW TI-97 project. Note - an additional \$6M of funds were carried over from prior years into FY16 that executed over the \$33.812M budgeted amount.
Minor Construction	\$ 3.468	\$ 3.113	\$ (0.355)	Slight decrease due to the MINCON Limestone Unified Compliant (UFC) Mailroom requirement falling below the capital threshold.
Total FY 2016	\$ 33.812	\$ 37.222	\$ 3.410	
FY 2017				
ADPE and Telecom	\$ 16.488	\$ 22.316	\$ 5.828	Increase due to a reprioritization and reassessment of costs for ELAN, Security, and Teleservices. After further analysis, additional requirements are needed to include a security toolkit, domain name system security extensions (DNSSEC), hardware and software asset management system, domain controller sustainment, and UNIX software.
Software Development	\$ 22.234	\$ 15.736	\$ (6.498)	Decrease due reprioritization of several projects to include Reduced Legacy System (RLS) Cash Accountability, DCAS Global Exchange Services (GEX), DDRS Treasury Daily Cash Reporting, and the DCD/DCW Functional Financial Management project. Additional decrease in requirements are due to the cessation of DCD/DCW TI-97 requirements and the Consolidated Fund Balance with Treasury (CFBWT) project.
Minor Construction	\$ 0.825	\$ 1.495	\$ 0.670	Increase due to an emerging requirement for MINCON Rome to address security concerns at entry points to the building.
Total FY 2017	\$ 39.547	\$ 39.547	\$ (0.000)	
FY 2018				
ADPE and Telecom	\$ 20.923	\$ 20.923	\$ -	
Software Development	\$ 2.841	\$ 2.841	\$ -	
Minor Construction	\$ 7.518	\$ 7.518	\$ -	
Total FY 2018	\$ 31.282	\$ 31.282	\$ -	

Capital Investment Summary
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Millions)

	FY 2016 Quantity	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Total Cost
Non-ADPE Equipment	1.000	\$27.626	1.000	\$35.000	1.000	\$37.000
Facilities Equipment	1.000	\$27.626	1.000	\$35.000	1.000	\$37.000
ADPE & Telecom Equipment Capabilities	0.000	\$0.000	2.000	\$11.456	2.000	\$28.076
Virtual Desktop Infrastructure - Hardware and Devices	0.000	\$0.000	1.000	\$9.956	1.000	\$26.576
Communications	0.000	\$0.000	1.000	\$1.500	1.000	\$1.500
Software Development	1.000	\$3.995	5.000	\$13.884	4.000	\$11.802
CMM Expansion	1.000	\$3.995	0.000	\$0.000	1.000	\$3.075
Enterprise Email (EE) Software Phase I	0.000	\$0.000	1.000	\$3.183	0.000	\$0.000
Enterprise Email (EE) Software Phase II	0.000	\$0.000	1.000	\$4.548	0.000	\$0.000
HPNA-HPOO	0.000	\$0.000	1.000	\$1.368	0.000	\$0.000
OEM Plug-in	0.000	\$0.000	0.000	\$0.000	1.000	\$1.688
Splunk	0.000	\$0.000	0.000	\$0.000	0.000	\$0.000
Splunk - Enterprise	0.000	\$0.000	1.000	\$3.726	0.000	\$0.000
Splunk Expansion	0.000	\$0.000	0.000	\$0.000	1.000	\$1.538
Virtual Desktop Infrastructure - Software	0.000	\$0.000	1.000	\$1.059	1.000	\$5.502
Minor Construction Capabilities	1.000	\$0.534	1.000	\$1.775	1.000	\$2.500
Minor Construction - Facilities	1.000	\$0.534	1.000	\$1.775	1.000	\$2.500
Total	3.000	\$32.155	9.000	\$62.115	8.000	\$79.378
Total Capital Investment Recovery		\$21.359		\$21.487		\$26.515
Total Capital Outlays		\$29.425		\$39.989		\$47.038

Capital Investment Justification
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Thousands)

Computing Services: Capital Investment Justification (\$ in thousands)	A. Fiscal Year 2018
B. Computing Services/May 2017	OSD/OMB Submission
C. Non-ADPE Equipment	D. Facilities Equipment

Element of Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Unit Cost	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Unit Cost	FY 2018 Total Cost
Facilities Equipment	1.00	27,626.00	27,626.00	7.00	5,000.00	35,000.00	9.00	4,111.11	37,000.00
Total	1.00	27,626.00	27,626.00	7.00	5,000.00	35,000.00	9.00	4,111.11	37,000.00

Narrative Justification:

Description and Purpose:

The following table shows the planned Computing Services facility equipment projects. All capital projects comply with the schedule for DISA facilities to be in compliance with the Core Data Center (CDC) Reference Architecture. Also included are projects which will allow the DECC's to increase their cooling efficiency and reduce their Power Usage Effectiveness (PUE) and assist in meeting the Federal CIO Mandate and data center portions of the Federal Sustainability Executive Order 13693 signed in March of 2015.

Site	Project
DECC Ogden	Generator System Upgrade
	High Density Computer Room Air Condition (CRAC) Unit & Power Distribution Unit (PDU) Upgrade
DECC Mechanicsburg	High Density CRAC Unit & PDU Upgrades
	Gaseous Fire System
DECC Montgomery	High Density CRAC Unit & PDU Upgrades
	Uninterruptible Power Supply (UPS) & Generator Upgrade
	Computer Room Air Handler (CRAH) Unit Electrical Redundancy
DECC St. Louis	High Density CRAC Unit & PDU Upgrades
	Floor Upgrade
DECC Columbus	Building Automation System Upgrade
DECC Oklahoma	Generator Expansion
	Floor Upgrade to include SRG
	High Density CRAC Unit & PDU Upgrade
DECC San Antonio	High Density CRAC Unit & PDU Upgrade

Capital Investment Justification
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Thousands)

Current Deficiency and/or Problem:

Many of DISA's facilities are in need of cyclical upgrades to their infrastructures and equipment. These upgrades are necessary to ensure adequate reliability, security and redundancy to support ever-increasing customer workload. With these upgrades additional capacity for additional growth and increased reliability is built in. The acquisition time table for equipment design, manufacture and replacement is 18-30 months. To maintain operational capability, we must plan and invest now to ensure future viability. Energy efficiency related projects are necessary to comply with recently issued Federal requirements. Also, DECC's are not currently functioning in accordance with the Federal Sustainability Executive Order 13693.

Impact:

If these system and infrastructure investments/requirements are not funded, the DECC's will be out of compliance with existing Federal requirements. In addition, safety hazards and mission failure may result. Age-related infrastructure and equipment deficiencies can result in unplanned data center downtime. DISA's ability to provide redundancy to enable 24x7 operations for customers will be jeopardized. This will have a negative impact on DISA's operational capability, efficiency and future business.

Energy Savings:

Existing UPS units are older less efficient units and have Power Factor (PF) ratings of .8. The newer UPS units are designed to be more efficient and have a PF of .9 or better. This savings allows for a 10% savings on power capacity and more efficient UPS units and electrical distribution saves of up to 3% of the data center energy consumption. Older generator systems burn larger amounts of fuel than newer more efficient units. Fuel savings from the system change outs are estimated between 5%-10% with an additional 10% saving possible from new paralleling gear that only runs the number of generators required to operate safely vice all full out at all times they are running. Building Automation Systems that are installed allow for the proper tracking of energy use and control of major equipment to optimize their running configurations. Increasing CRAC Unit capacity provides instant energy savings and improved performance and allows for higher reliability and redundancy. The addition of the cooling systems to meet the Federal standards should result in reductions to annual electrical bills.

Capital Investment Justification
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Thousands)

Computing Services: Capital Investment Justification (\$ in thousands)							A. Fiscal Year 2018 OSD/OMB Submission			
B. Computing Services/May 2017			C. ADPE & Telecom Equipment				D. Communications			
Element of Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Unit Cost	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Unit Cost	FY 2018 Total Cost	
Communications	0.00	0.00	0.00	1.00	1,500.00	1,500.00	1.00	1,500.00	1,500.00	
Total	0.00	0.00	0.00	1.00	1,500.00	1,500.00	1.00	1,500.00	1,500.00	
Narrative Justification:										
Description and Purpose:										
<p>DECC communications infrastructure is a hierarchical layered network, including Core Layer, Aggregation Layer, and Access Layer. This infrastructure consists of routers, switches, firewalls, Virtual Private Network (VPN) devices, and load-balancing/content services equipment, some of which is purchased with operating funds using capacity services contracts and some of which is purchased outright using capital investment funds. Capital funding is required to ensure DISA is equipped to address potential project upgrades on government-owned communication equipment not covered by capacity services contracts. This includes upgrades to communication devices (e.g., perimeter firewalls, routers) to support the continued success of enterprise service initiatives. Planning for the upgrades of associated service components empowers continued success and maximizes the use of products with remaining financial and functional ability. These upgrades would also address the communications infrastructure that provides access to the production, test/development and Out-of-Band (OOB) networks.</p> <p>Capital funding is also required to replace the antiquated network packet capture solution (NPC) within the DECC Communications Infrastructure (DCI). This solution is required in order to monitor and troubleshoot the DISA data center networks. DISA requires visibility across the service delivery environment—from the data center, through the core to the edge and access. Gaining access to a common set of packet-flow-based data is imperative in order to effectively monitor DISA’s very large environment. Without vital insights made possible through intelligent data collection, trouble-shooting performance issues becomes an enormous operation. NetScout’s InfiniStream appliances (or similar), when strategically deployed as part of the nGeniusONE platform (or similar), provides the scalability and coverage needed to support DISA’s very large, distributed service provider environments. Deep-dive packet capture and analysis activities leveraging Adaptive Service Intelligence (ASI) technology are performed locally, within the appliance to speed analysis activities and reduce impact to the network from management related traffic.</p>										
Current Deficiency and/or Problem:										
<p>Ever-growing communication capacity requirements at each layer of the DECC enterprise network must be met by either upgrading network assets, or by acquiring new devices. The Communication as a Service contract is planned to address most of general communication device requirements, especially new (tech refresh) devices. However, any existing communication device that was acquired and owned by DISA and retains a technical or financial life, will require an upgrade and is deemed outside the scope of the capacity contract approach (i.e., the contract is a capacity (lease) vehicle and upgrades to government-owned equipment would not meet contract terms and agreements.) This request would provide funds in order to upgrade the existing Capital equipment until a time when it can be tech-refreshed using the Communication as a Service contract.</p>										
Impact:										

Capital Investment Justification
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Thousands)

If the requested capital funding is not approved, DISA may not be able to support customers' ever growing communication requirements. Examples of these requirements include increased port capacity requirements across each layer of DECC infrastructure, additional network bandwidth capacity, support of Continuity of Operations (COOP) infrastructures, support of Test and Development environments, requirements for acceptable levels of situational awareness, and better network security posture across DECC enterprise network.

Capital Investment Justification
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Thousands)

Computing Services: Capital Investment Justification (\$ in thousands)				A. Fiscal Year 2018 OSD/OMB Submission					
B. Computing Services/May 2017		C. ADPE & Telecom Equipment / Software Development				D. Virtual Desktop Infrastructure			
Element of Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Unit Cost	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Unit Cost	FY 2018 Total Cost
VDI - ADPE & Telecom Equipment	0.00	0.00	0.00	1.00	9,956.00	9,956.00	1.00	26,576.00	26,576.00
VDI - Software Development	0.00	0.00	0.00	1.00	1,059.00	1,059.00	1.00	5,502.00	5,502.00
Total	0.00	0.00	0.00	2.00	11,015.00	11,015.00	2.00	32,078.00	32,078.00
Narrative Justification:									
Description and Purpose:									
<p>The Virtual Desktop platform provides the greatest opportunity to align with DISA desktop computing requirements, providing the greatest benefits and the lowest risk with the best operational, security and financial profile to serve as the next evolution of the DISA desktop computing service. VDI is a desktop-centric service that hosts user desktop environments (operating system, client applications, and data) on server hardware co-located in the DECCs. Using the Physical Desktop Infrastructure (PDI), DISA is currently unable to establish and maintain a consistent security posture because security software must be configured, distributed and successfully installed on 12,600 unclassified desktops, with 14+ different configurations in 38 locations across 6 countries. There is a high percentage of software (patch) failures, device failures, and network failures that are not successfully installed resulting in security vulnerabilities on our network on a weekly basis. These and other conditions result in worker productivity disruptions as laptops must be repaired, force remote users to return/dock to the physical network or re-imaged laptops to resolve these issues. VDI eliminates these conditions as desktops reside on virtual servers in the data center and receive security/software updates uniformly. This capital requirement includes the purchase of infrastructure hardware, endpoint devices, and the software required to enable the VDI. End point devices allow the user to "view" a fully compliant desktop every time. Purchase of the software will enable VDI to deliver an enhanced desktop environment to the traditional windows users with lower total cost and increased security.</p>									
Current Deficiency and/or Problem:									
<p>The current Physical Desktop Infrastructure (PDI) drives cost and operational inefficiencies, as stated previously. The PDI architecture relies too heavily upon the distribution of data security, leaves little room for cost reduction, and does not meet expected service levels required by end users.</p>									
Impact:									
<p>Purchasing the Virtual Desktop Infrastructure will reduce the higher annual costs associated with operating and maintaining Physical Desktop Infrastructure and will also increase DISA's security profile.</p>									

Capital Investment Justification
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Thousands)

Computing Services: Capital Investment Justification (\$ in thousands)				A. Fiscal Year 2018 OSD/OMB Submission					
B. Computing Services/May 2017		C. Software Development				D. Software Development Projects			
Element of Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Unit Cost	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Unit Cost	FY 2018 Total Cost
CMM Expansion	1.00	3,995.00	3,995.00	0.00	0.00	0.00	1.00	3,075.00	3,075.00
Enterprise Email Phase I	0.00	0.00	0.00	1.00	3,183.00	3,183.00	0.00	0.00	0.00
Enterprise Email Phase II	0.00	0.00	0.00	1.00	4,548.00	4,548.00	0.00	0.00	0.00
HPNA-HPOO	0.00	0.00	0.00	1.00	1,368.00	1,368.00	0.00	0.00	0.00
OEM Plug-in	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1,688.00	1,688.00
Splunk	0.00	0.00	0.00	1.00	3,726.00	3,726.00	1.00	1,538.00	1,538.00
Total	1.00	3,995.00	3,995.00	4.00	12,825.00	12,825.00	3.00	6,301.00	6,301.00
Narrative Justification:									
Description and Purpose:									
<p>The mission of DISA as the DoD's enterprise computing service provider is to deliver world-class service at the lowest possible cost that satisfies customer mission objectives. Capital funding is to ensure that the services provided to support customers' missions are met through processes and systems which assure availability, capacity, continuity and security of existing and planned systems. Additionally, systems are required to monitor, track, report and ensure that service level agreements (SLAs) with customers are met. DISA employs a variety of geographically dispersed mainframes and computing systems which require funding to support the enterprise environment. Standard Operating Environment (SOE) projects require software investments to eliminate functionally equivalent products, streamline the inventory and create the most efficient processing environment for the customer at the least possible cost. Specific projects include the following:</p> <p>The Capacity Management Modeling (CMM) expansion will support capacity management modeling functionality for Enterprise Email, milCloud and the SCOM SQL database, which supports Enterprise Email and Enterprise SharePoint projects which are critical applications for the Enterprise.</p> <p>Enterprise Email (EE) software upgrades include requirements to upgrade the Microsoft Monitoring Software (SCOM/SSCME) for the NIPRNet and SIPRNet environments, upgrade the Exchange 2013 for the NIPRNet environment, and upgrading Exchange 2010 since it will be end of life on the SIPRNet environment.</p> <p>Acquisition of Hewlett Packard's Network Automation (HPNA)/Hewlett Packard's Operations Orchestrator (HPOO) licenses, which are currently running in the DECC enterprise, will lower the cost of the future communications gear purchases off the new Communications Capacity Service contract. Currently, the Government is paying increased pricing for all communications gear purchased off the capacity services contract to cover the cost of the vendor provided "fee" for HPNA/HPOO licensing.</p> <p>Acquisition of Oracle's Enterprise Manager (OEM) SQL Plug-in will reduce system administration troubleshooting time by 30%. This purchase enables DISA to troubleshoot and resolve enterprise database issues from a single pane of glass. Providing this tool will enable DISA to manage the more complex, expanded environments with a much higher degree of accuracy and responsiveness without increasing staffing.</p> <p>Upgrading Splunk will provide the capability and licenses required to support log aggregation and security scanning. Phase 1 involves migration of the financial systems, phase 2 will cover the large volume of servers, and phase 3 will cover application logs.</p>									

Capital Investment Justification
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Thousands)

Current Deficiency and/or Problem:

Existing software systems risk security vulnerability, and may be inadequate to provide the proper assurance of availability and capacity to support the customers' mission requirements. Therefore, DISA must invest in new software to more efficiently host systems that provide a highly available, secure and robust computing environment. Based on the technical evaluation and the implementation cost, new products will be selected to meet organizational needs and functional requirements. Technical evaluations on mainframe and distributed software products will be conducted throughout the enterprise allowing elimination of functionally equivalent software and the associated duplicative costs. In addition, in order to maintain network and system availability, investment is required in tools that manage, monitor and report on events from computing center systems. Replacement of legacy Government Off The Shelf (GOTS) products is required in order to ensure ISC can continue to meet the growing customer base.

Impact:

Without these investments DISA will not be able to effectively operate and manage the diverse and increasing number of systems in our enterprise. There is an increased risk that SLAs will not be met due to downtime of systems, performance degradation, and lack of proactive means of measuring and correcting system capacity and availability problems. The ever increasing volume of operating environments in DISA's computing centers cannot be managed without enterprise-level system tools and lack of these tools could result in an inability to accurately monitor, report, and review service performance.

Capital Investment Justification
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Thousands)

Computing Services: Capital Investment Justification (\$ in thousands)	A. Fiscal Year 2018 OSD/OMB Submission
B. Computing Services/May 2017	C. Minor Construction - Facilities
D. Minor Construction	

	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Unit Cost	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Unit Cost	FY 2018 Total Cost
Minor Construction - Facilities	1.00	534.00	534.00	3.00	591.67	1,775.00	4.00	625.00	2,500.00
Total	1.00	534.00	534.00	3.00	591.67	1,775.00	4.00	625.00	2,500.00

Narrative Justification:

Description and Purpose:
 This capital requirement includes several facility enhancements at the Defense Enterprise Computing Centers (DECCs). In FY 2017, DECC Ogden will require a generator system upgrade and DECC Mechanicsburg requires a transformer upgrade. In FY 2018, DECC Montgomery requires a transformer upgrade and DECC San Antonio and DECC Oklahoma City require antiterrorism/force protection (AT/FP) exterior enhancements. All capital projects comply with the schedule for DISA facilities to be in compliance with the Core Data Center (CDC) Reference Architecture.

Current Deficiency and/or Problem:
 Various facilities are in need of upgrades and renovations in order to meet current standards. Several sites are in need of having design work and minor repairs completed. Multiple code violations have been found and the only remediation is through minor construction efforts.

Impact:
 If these infrastructure investments are not funded, life-safety hazards or continued code negligence will result. Age-related infrastructure and equipment deficiencies could result in unexpected system failures, placing site personnel at risk and potentially resulting in unnecessary data center downtime. DISA's ability to provide a reliable and safe 24/7/365 operational capability could be jeopardized.

Energy Savings:
 New transformers that are made with the latest technology allow for less waste in the energy transformation. This savings can be upwards of 1/8% of the building load.

Capital Budget Execution
Defense Information Systems Agency
COMPUTING SERVICES
May 2017
(Dollars in Millions)

<u>Fiscal Year</u>	<u>Major Category</u>	<u>Initial Request</u>	<u>Current Proj. Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
FY 2016					
	Equipment except ADPE and Telecommunications	38.950	38.950	0.000	
	Equipment - ADPE and Telecommunications	0.500	0.000	(0.500)	Reprogrammed to Software Development
	Software Development	5.000	5.500	0.500	Reprogrammed from ADPE & Telecom Equipment
	Minor Construction	2.000	2.000	0.000	
	TOTAL FY 2016	46.450	46.450	0.000	
FY 2017					
	Equipment except ADPE and Telecommunications	31.000	35.000	4.000	New projects added to meet recently issued Federal mandate on energy savings
	Equipment - ADPE and Telecommunications	1.500	11.456	9.956	Addition of Virtual Desktop Infrastructure (VDI) projects
	Software Development	5.500	13.884	8.384	Addition of Enterprise Email and VDI projects
	Minor Construction	1.775	1.775	0.000	
	TOTAL FY 2017	39.775	62.115	22.340	
FY 2018					
	Equipment except ADPE and Telecommunications	37.000	37.000	0.000	
	Equipment - ADPE and Telecommunications	28.076	28.076	0.000	
	Software Development	11.802	11.802	0.000	
	Minor Construction	2.500	2.500	0.000	
	TOTAL FY 2018	79.378	79.378	0.000	

Capital Investment Summary
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Millions)

	FY 2016 Quantity	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Total Cost
Non-ADPE Equipment	1.000	\$0.763	0.000	\$0.000	0.000	\$0.000
DISA CONUS FitOut	1.000	\$0.763	0.000	\$0.000	0.000	\$0.000
ADPE & Telecom Equipment Capabilities	2.000	\$6.755	2.000	\$8.269	6.000	\$22.570
Voice-Over-Internet-Protocol (VOIP) Telephone Switch	0.000	\$0.000	1.000	\$1.269	0.000	\$0.000
EMSS Remote Earth Terminal	1.000	\$1.117	0.000	\$0.000	1.000	\$0.350
EMSS Gateway Transformation	1.000	\$5.638	0.000	\$3.000	5.000	\$22.220
EMSS Secure Voice Upgrade	0.000	\$0.000	1.000	\$4.000	0.000	\$0.000
Software Development	3.000	\$25.681	1.000	\$1.600	1.000	\$1.600
DTCS Global Services	1.000	\$4.924	0.000	\$0.000	0.000	\$0.000
New Financial System	1.000	\$19.987	0.000	\$0.000	0.000	\$0.000
IDEAS	1.000	\$0.770	1.000	\$1.600	1.000	\$1.600
Total	6.000	\$33.199	3.000	\$9.869	7.000	\$24.170
Total Capital Investment Recovery		\$52.970		\$16.505		\$24.422
Total Capital Outlays		\$23.037		\$35.105		\$30.603

Capital Investment Justification
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Thousands)

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2018 OSD/OMB Submission			
B. TS/EAS / May 2017		C. ADPE and Telecom - Equipment				D. Voice-Over-Internet-Protocol (VOIP) Telephone Switch			
Element of Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Unit Cost	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Unit Cost	FY 2018 Total Cost
VOIP Telephone Switch	0.00	0.00	0.00	1.00	1,269.00	1,269.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	1.00	1,269.00	1,269.00	0.00	0.00	0.00
Narrative Justification:									
Description and Purpose:									
<p>This requirement is to procure a new, state-of-the art, Voice Over Internet Protocol (VoIP) switch for DISA's Defense Information Technology Contracting Organization at Scott Air Force Base (DITCO-Scott). The new VoIP switch will replace a digital PBX switch which is more than 25 years old. The new capabilities include CISCO call Manager, CISCO Jabber, CISCO unified Messaging, CISCO Meeting Place, CISCO Emergency Responder, and other capabilities providing greater mobility and efficiency of our work force. Additionally, the Jabber system would have the capability to interface with the DISA headquarters system to improve communications capabilities. This capital requirement also includes the purchase of new phones which are required with the new telephone switch.</p>									
Current Deficiency and/or Problem:									
<p>DITCO-Scott's current telephone switch is over 25 years old. While the switch has been upgraded since initial installation, the current software approved for the switch is three revisions behind the latest commercial software available. There are no plans to improve the current software versions for DoD use, essentially making the switch obsolete. This switch is not capable of keeping up with the higher mobility and Unified Capabilities requirements of DISA's changing workforce.</p>									
Impact:									
<p>The new VoIP switch will provide a robust suite of services allowing us to take advantage of the Unified Capabilities being used by other DISA and DoD entities. This switch will provide DITCO-Scott the ability to take advantage of emerging technologies to enhance our ability to provide superior contracting support to DoD and Non-DOD customers and provide the systems flexibility to evolve with the rest of DoD and the private sector. If not funded, the increasingly evident deficiencies and incompatibilities of the current switch will drive costly interim purchases of software and hardware and force business process workarounds that only partially and/or temporarily allow normal business operations and interface with evolving technologies possessed by our mission partners. If not replaced, DITCO-Scott will experience both internal and external communications degradations and incompatibilities and diminishing returns on dollars spent to keep the current system viable.</p>									

Capital Investment Justification
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Thousands)

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2018 OSD/OMB Submission			
B. TS/EAS / May 2017		C. Software Development				D. Integrated Defense Enterprise Acquisition System (IDEAS)			
Element of Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Unit Cost	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Unit Cost	FY 2018 Total Cost
Integrated Defense Enterprise Acquisition	1.00	770.00	770.00	1.00	1,600.00	1,600.00	1.00	1,600.00	1,600.00
Total	1.00	770.00	770.00	1.00	1,600.00	1,600.00	1.00	1,600.00	1,600.00
Narrative Justification:									
Description and Purpose:									
<p>On 24 March 2005, DISA-PLD/DITCO received authorization from the DoD Business Management Modernization Program (BMMP) to replace incongruous and unsupported legacy contracting applications with a modern end-to-end system now called the Integrated Defense Enterprise Acquisition System (IDEAS). IDEAS is a single web-based contract writing system which manages all pre-award, award, and post-award activities. The Enterprise Business Modernization (EBM) project was subdivided into telecommunications and traditional contracting and uses an agile methodology to incrementally configure Appian's Inc Business Process Management (BPM) tool to support all procurement functions. Receiving its Authority to Operate (ATO) in the third quarter of fiscal year 2009, IDEAS provided the telecommunications contracting capability first and has processed over 19,200 contract actions by 150 contracting specialists and officers, with a life cycle value just over \$1.6 billion. Additional funding is required to deploy a traditional contracting capability which is the next step in the incremental progression towards a fully integrated contract writing system and replacement of costly, unsupportable legacy systems. DISA is currently licensed to configure IDEAS for Telecommunications and Traditional Contracting for 5,000 users. IDEAS adheres to the DoD Procurement Data Standard (PDS) and Standard Financial Information Structure (SFIS), has been certified Business Enterprise Architecture (BEA) compliant, and is documented using the Department of Defense Architecture Framework (DoDAF).</p>									
Current Deficiency and/or Problem:									
Capital funds are requested to support the likelihood of unanticipated program changes or other change requests typically associated with a new system.									
Impact:									
Failure to maintain the IDEAS system will result in an interruption of DISA's ability to contract for essential Information Technology products and services required by DISA's mission partners.									

Capital Investment Justification
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Thousands)

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)				A. Fiscal Year 2018 OSD/OMB Submission					
B. TS/EAS / May 2017	C. ADPE and Telecom - Equipment					D. EMSS Gateway Evolution			
Element of Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	FY 2017 Quantity	FY 2017 Unit Cost	FY 2017 Total Cost	FY 2018 Quantity	FY 2018 Unit Cost	FY 2018 Total Cost
EMSS DISN Feeder Link Terminal (Remote Earth Terminal)	1.00	1,117.00	1,117.00	0.00	0.00	0.00	0.00	350.00	350.00
EMSS Gateway Voice Services	0.00	0.00	0.00	1.00	4,000.00	4,000.00	0.00	0.00	0.00
EMSS Gateway CERTUS	0.00	0.00	0.00	1.00	3,000.00	3,000.00	1.00	5,000.00	5,000.00
EMSS Competitive Initiatives	0.00	0.00	0.00	0.00	0.00	0.00	1.00	10,000.00	10,000.00
EMSS Gateway HVAC	0.00	0.00	0.00	0.00	0.00	0.00	1.00	500.00	500.00
EMSS Gateway STL	0.00	0.00	0.00	0.00	0.00	0.00	1.00	6,000.00	6,000.00
EMSS Gateway Network Infrastructure Refreshment	0.00	0.00	0.00	0.00	0.00	0.00	1.00	720.00	720.00
Total	1.00	1,117.00	1,117.00	2.00	3,500.00	7,000.00	5.00	4,514.00	22,570.00
Narrative Justification:									
EMSS DISN Feeder Link Terminal (Remote Earth Terminal):									
<p>The DISA Feeder Link Terminal (DFLT), previously known as the Remote Earth Terminal, will mitigate a single point of failure that is present in the current EMSS DoD Gateway single site configuration. With only one Satellite constellation downlink site at Wahiawa, Hawaii, there is no opportunity for a dynamic management capability and continuity of operations (COOP) support. The single EMSS Gateway is subject to global outages that directly affect the DoD's ability to provide service to the warfighter. The global outages are caused by adverse weather conditions at the DOD gateway site and gaps in the Iridium satellite constellation, which happens due to failure of satellites and satellite components due to age and other factors. By adding a geographically dispersed redundant DISA Feeder Link Terminal site, the EMSS Program will mitigate the risk associated with satellite failures as well as single site failures now and into the future. Mitigating the single point of failure will improve the network availability and reliability, which is required to meet user demand and DISN service level agreement thresholds. The requested funds are required for technical enhancements to hardware and software, and are not required for the site to be operational. During the DFLT requirements and design phases, the following remote management and security monitoring technical enhancements were identified during the DFLT requirements and design phases. These requirements were identified as necessary to the remote operation and security of the DFLT antenna site. These capabilities allow the Gateway staff to remotely manage and monitor the DFLT equipment components more efficiently, and provide connection redundancy for the monitoring and security, and out-of-band (remote) management of the equipment at the DFLT site. These capabilities are not essential for the first day of operation (FOC) since initially the DFLT antenna site will primarily be used to backup the Wahiawa antenna site. The DFLT site will transition to be the primary EMSS SATCOM down/up-link for certain mission traffic, thereby sharing the traffic load with the Wahiawa antenna site. The ability to efficiently remotely manage and monitor the DFLT equipment, and having redundant DODIN datalinks for remote management and security monitoring will become critical. Failure to fund to this enhancement will render the EMSS Program unable to optimize traffic load between the sites, and will limit our ability to meet user demand for enhanced Iridium services. Consequently, users may need to leverage Iridium's commercial service, which would subject their communication to unsecure facilities and levy an additional Iridium airtime bill.</p>									

Capital Investment Justification
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Thousands)

EMSS Gateway Voice Services:

The EMSS Gateway is a replica of the Iridium Commercial Baseline (ICB) and includes additional network elements that enable unique Government services. The EMSS Gateway Voice Services Project will tech refresh critical switches and systems that are end-of-life, unsupported, or contain unacceptable information assurance vulnerabilities for which no remedy exists. Funding must be provided to prevent a disruption in EMSS service that would result from failure to address these critical network element and system issues.

EMSS Gateway CERTUS:

CERTUS is the title for Iridium's new high speed service that will be available upon the commissioning of Iridium's second generation "NEXT" satellite constellation. Iridium NEXT launches begin in mid-2016, and the constellation shall be fully replenished on/about December, 2017. The CERTUS investment shall deliver the gateway systems necessary to process data speeds up to 512 Kbps uplink and 1.4 Mbps downlink. The CERTUS systems include hardware and software. These systems are necessary for EMSS to meet customer requirements for new Iridium NEXT end-user terminals, including sophisticated devices, modules and platforms that are capable of leveraging the higher speeds afforded by CERTUS. This essential information, recently emerged, and the EMSS Program Management Office determined that implementing CERTUS is essential to meet future customer requirements, remain in-line with the Iridium Commercial Baseline, and achieve return on investment for the Gateway and airtime contracts. This project is necessary to support customer investments in technologies and products that are incorporating CERTUS transceivers. Failure to implement the CERTUS systems at the EMSS Gateway will result in customers being forced to leverage the unsecure commercial Iridium Gateway which has already installed the systems in advance of the NEXT launch. Potential cost savings are expected to be realized through competition between the Iridium CERTUS service and Inmarsat's high speed service, as the latter has had a strong-hold on the 512 Kbps marketplace without a formidable competitor. Additional benefit is also expected in the form of subscription growth, as this capability expands the utility of the EMSS service offering portfolio.

EMSS Competitive Initiatives:

Competitive Initiatives is the project title that will replicate and/or offer unique EMSS services and capabilities on one or more commercial satellite network that is different from the commercial Iridium satellite constellation. The \$10 million will deliver the gateway systems necessary to process the services provided by selected network(s), and presently excludes any associated airtime, managed services or value-added services. The purpose of this project is to diversify and enhance the unique capabilities provided by EMSS. The introduction of EMSS services provided by a non-Iridium network will facilitate competition for certain capabilities, thereby increasing the potential for lower overall airtime and devices charges/costs and greater innovation for EMSS customers. Recent market research reveals that opportunities exist for network diversification. Failure to fund this project will keep the EMSS Program reliant on a single source (Iridium) for unique mobile telecommunications requirements. Such reliance will limit the Government's leverage in critical negotiations and for facilitating growth and innovation in the future for required EMSS products and services.

EMSS Gateway HVAC:

The existing Heating, Ventilating, and Air Conditioning (HVAC) units provide the cooling for all critical EMSS gateway systems. The current units have been in continuous operation since 2008 and are showing signs of increasing wear. If they are not replaced, they will become prone to mechanical failures and extended outages which will directly impact EMSS services supporting warfighter operations worldwide.

Capital Investment Justification
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Thousands)

EMSS Gateway Satelles, Timing & Location (STL):

Satelles Timing and Location (STL) is a new Iridium-based timing, location and authentication service. STL can serve as an alternate or supplement to GPS as it works indoors and without local infrastructure, and provides trusted location that is very difficult to spoof due to the inherent and dynamic Iridium satellite contours. Iridium-compliant user terminals would need to be embedded with an STL chipset or undergo a software modification to use the STL service. Additionally, the EMSS gateway requires the STL server in order to offer and manage the STL service through the EMSS gateway. This technology satisfies existing DoD capabilities gaps, and will facilitate enhanced protection and identification of critical Government assets.

EMSS Gateway Network Infrastructure Refreshment:

Networking is an area of intense innovation with new features, functions, and capabilities reaching market each year which will improve EMSS gateway operations or can be leveraged by Iridium and DISA to enhance warfighter communications. EMSS has already been notified that the vendor of two SyncServers in the Out-of-Band Management (OOBM) system has announced that these servers will be end-of-life in 2018 and need to be replaced. Others end-of-life network components are expected to be identified, so EMSS is establishing this capital project to include funding for necessary replacements. Without these upgrades, EMSS will not have technology necessary to support warfighter missions. This project is also necessary to maintain compliance with the Iridium Commercial Gateway baseline.

Capital Budget Execution
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
May 2017
(Dollars in Millions)

<u>Fiscal Year</u>	<u>Major Category</u>	<u>Initial Request</u>	<u>Current Proj. Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
FY 2016					
	Equipment except ADPE and Telecommunications	0.768	0.768	0.000	
	Equipment - ADPE and Telecommunications	12.400	12.008	(0.392)	Reduction in EMSS Remote Earth Terminal requirements
	Software Development	32.260	32.260	0.000	
	Minor Construction	0.000	0.000	0.000	
	TOTAL FY 2016	45.428	45.036	(0.392)	
FY 2017					
	Equipment except ADPE and Telecommunications	0.000	0.000	0.000	
	Equipment - ADPE and Telecommunications	7.000	8.269	1.269	Addition of project for Voice over IP (VoIP) switch
	Software Development	0.000	1.600	1.600	Addition of IDEAS project (contracting writing system)
	Minor Construction	0.000	0.000	0.000	
	TOTAL FY 2017	7.000	9.869	2.869	
FY 2018					
	Equipment except ADPE and Telecommunications	0.000	0.000	0.000	
	Equipment - ADPE and Telecommunications	22.570	22.570	0.000	
	Software Development	1.600	1.600	0.000	
	Minor Construction	0.000	0.000	0.000	
	TOTAL FY 2018	24.170	24.170	0.000	

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY CHAIN MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY
(\$ IN MILLIONS)

Line Number	Item Description	FY 2016		FY 2017		FY 2018	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
MAT 200-01	Material Handling/Storage Space Utilization - Distribution	9	16.124	10	18.493	7	20.601
MAT 200-02	Material Handling/Storage Space Utilization - Materiel Supply Chain	0	0.000	2	2.140	0	0.000
IS 200-01	Installation Security - Distribution	2	2.290	2	1.331	0	0.000
IS 200-02	Installation Security - Materiel Supply Chain	1	1.122	4	4.868	2	0.725
MAD 200-01	Material Disposal - Disposition	2	0.964	2	2.000	10	6.578
MAC 200-01	Machinery - Materiel Supply Chain	0	0.000	3	9.800	0	0.000
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	14	20.500	23	38.632	19	27.904
TEL 100	Telecommunications - Materiel Supply Chain	0	0.000	1	3.633	2	4.586
TEL 200	Telecommunications - Distribution	0	0.000	3	7.172	3	8.770
PRD 100	Production Hardware - Materiel Supply Chain	4	5.225	2	5.103	4	3.815
NET 100	Network Hardware - Distribution	0	0.000	1	1.280	0	0.000
NET 200	Network Hardware - Materiel Supply Chain	1	0.663	3	2.389	0	0.000
	<u>TOTAL EQUIPMENT (ADP/T)</u>	5	5.888	10	19.577	9	17.171
SWD 200-01	Supply Chain Management - Enterprise Business System		18.648		21.415		22.620
SWD 200-02	Supply Chain Management - Defense Medical Logistics Standard System		2.750		2.397		2.397
SWD 200-03	Supply Chain Management - DoD EMALL/FedMall		6.301		6.180		6.304
SWD 200-04	Supply Chain Management - Functional Executive Agent Medical Support		2.422		2.894		2.177
SWD 200-05	Supply Chain Management -Governance Risk& Compliance _ Risk Management		2.497		0.000		0.000
SWD 200-06	Supply Chain Management -SoD		0.000		0.000		0.000
SWD 300-01	Net-Centric Hubs - Enterprise Software		0.000		0.414		0.738
SWD 400-01	Master Data - Federal Logistics Information System		0.000		0.500		0.000
SWD 500-01	Distribution - Distribution Standard System		0.000		1.039		0.000
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		32.618		34.839		34.236
REP 200-01	Minor Construction \$250,000 - \$1,000,000 (Materiel Supply Chain)		3.614		3.476		3.276
REP 200-02	Minor Construction \$250,000 - \$1,000,000 (Distribution)		7.860		9.002		9.002
REP 200-03	Minor Construction \$250,000 - \$1,000,000 (Disposition)		3.642		2.100		3.175
	<u>TOTAL MINOR CONSTRUCTION</u>		15.116		14.578		15.453
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	19	74.122	33	107.626	28	94.764
	Total Capital Outlays		82.519		84.600		86.000
	Total Capital Investment Recovery		109.900		157.253		117.822

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description MAT 200-01 Non-ADP Equipment						D. Activity Identification DLA Distribution		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>MAT 200-01</u> Material Handling/Storage Space Utilization	9	1,792	16,124	10	1,849.3	18,493	7	2,943	20.601			
<p>Narrative Justification:</p> <p>These investments are for material handling equipment, mobile material handling equipment, and miscellaneous warehouse equipment or systems within DLA Distribution depots. Equipment is to replace existing items that have reached or exceeded the useful life established for this category. Based on guidance contained in various Department of Defense (DoD) governing policies, Defense Logistics Agency (DLA) has established a replacement and life expectancy/productivity enhancement standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment.</p> <p>Equipment supports new mission or productivity related projects for which DLA has established policies and procedures to ensure that the ultimate goals of providing cost savings in terms of reduced man-hours to complete mission oriented tasks, new systems or equipment to meet the requirements for attaining DLA strategic goals and modification to enhance safety of the operators or environment. All productivity related projects normally provide a payback of not more than five years and savings to investment ratio of greater than one.</p> <p>Projects in FY 2017 include container handlers, conveyor system, building storage and racks systems at various locations.</p> <p>Projects in FY 2018 include conveyor system, building storage and racks systems at various locations</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description MAT 200-02 Non-ADP Equipment						D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>MAT 200-02</u> Material Handling/Storage Space Utilization	0	0	0	2	1,070	2,140	0	0	0			
<p>Narrative Justification:</p> <p>These investments are for material handling equipment, mobile material handling equipment, and miscellaneous warehouse equipment or systems within DLA Inventory Control Points facilities. Equipment is to replaces existing items that have reached or exceeded the useful life established for this category. Based on guidance contained in various Department of Defense (DoD) governing polices, Defense Logistics Agency (DLA) has established a replacement and life expectancy/productivity enhancement standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment.</p> <p>Equipment supports new mission or productivity related projects for which DLA has established policies and procedures to ensure that the ultimate goals of providing cost savings in terms of reduced man-hours to complete mission oriented tasks, new systems or equipment to meet the requirements for attaining DLA strategic goals and modification to enhance safety of the operators or environment. All productivity related projects normally provide a payback of not more than five years and savings to investment ratio of greater than one.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description IS 200-01 Non-ADP Equipment						D. Activity Identification DLA Distribution		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
IS 200-01 Installation Security	2	1,145	2,290	2	666	1,331	0	0	0			
<p>Narrative Justification:</p> <p>These investment projects involves providing installation security related items. Security items include Card Access Control Systems (CACS) for various buildings, a card access system, a closed circuit television system, and fire emergency trucks for DLA Distribution depots. Equipment of this type will provide security of the items stored in the depots as well as safety and security for the DLA employees. This equipment is in accordance with security guidance provided by the Department of Defense and rectify identified security deficiencies. This equipment will provide depot security as well as safety and security for DLA Distribution employees.</p> <p>Projects in FY 2017 include Emergency Annunciation System at San Joaquin, CA and Intrusion Detection System at Yokosuka, JP</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description IS 200-02 Non-ADP Equipment						D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>IS 200-02</u> Installation Security	1	1,122	1,122	4	1,217	4,868	2	363	725			
<p>Narrative Justification:</p> <p>These investments projects involve providing installation security related items. Security items include portals, turnstiles, entrance card reader, intrusion, detection devices, and fire emergency trucks throughout DLA Inventory Control Points facilities. Equipment of this type will provide security of the items stored in the DLA occupied buildings, as well as safety and security for the DLA employees. This equipment is in accordance with security guidance provided by the Department of Defense and rectify identified security deficiencies.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description MAD 200-01 Non-ADP Equipment						D. Activity Identification DLA Disposition Services		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>MAD 200-01</u> Material Disposal	2	482	964	2	1,000	2,000	10	658	6,578			
<p>Narrative Justification:</p> <p>This investment is for scrap/container handlers and Shredders that have reached or exceeded the useful life established for this category. Based on guidance contained in various Department of Defense (DoD) governing policies, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to various categories of equipment.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description MAC 200-01 Non-ADP Equipment						D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>MAC 200-01</u> Machinery	0	0	0	3	3,266.6	9,800	0	0	0			
<p>Narrative Justification:</p> <p>This investment is for a grinder, planer mill, and a 5 axis profiler at DLA Aviation for the Industrial Plant Equipment Service Division in Mechanicsburg, PA. The grinder will replace the 2 existing grinders that have reached or exceeded the useful life. With present day technology, this grinder can complete several different functions on one machine. The planer and 5 axis profiler are replacing aging, outdated machinery with modern efficient and versatile machinery.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description TEL 100 Telecommunications Equipment						D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
TEL 100 Telecommunications	0	0	0	1	3,633	3,633	2	2,293	4,586			
<p>Narrative Justification:</p> <p>The investment for telecommunications equipment is in support of DLA Primary Level Field Activities (PLFA). Requirements include equipment telephone switches, Local Area Network (LAN) and Wide Area Network (WAN) upgrades associated with telecommunications hardware, storage solutions, video teleconferencing hardware, and a trunked radio system.</p> <p>The Physical Cable Infrastructure is required to support the DLA mission as well as support DLA technology, architecture and initiatives. The goals are to modernize the Cable Infrastructure to support telecommunication and network systems which DLA requires in order to meet its mission requirements. The purpose is to replace antiquated infrastructure which is no longer compliant with DoD and industry standards to provide additional infrastructure to support DLA growth and increased use of network driven technology. The continued of the DLA infrastructure is essential to the continued improvement of the availability of information and data required for DLA to effectively perform its mission.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description TEL 200 Telecommunications Equipment						D. Activity Identification DLA Distribution		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
TEL 200 Telecommunications	0	0	0	3	2,391	7,172	3	2,923	8,770			
<p>Narrative Justification:</p> <p>The investment for telecommunications equipment is in support of DLA Distribution and its associated depots locations. Requirements include equipment telephone switches, Local Area Network (LAN) and Wide Area Network (WAN) upgrades associated with telecommunications hardware, storage solutions, video teleconferencing hardware, and a trunked radio system.</p> <p>The Physical Cable Infrastructure is required to support the DLA mission as well as support DLA technology, architecture and initiatives. The goals are to modernize the Cable Infrastructure to support telecommunication and network systems which DLA requires in order to meet its mission requirements. The purpose is to replace antiquated infrastructure which is no longer compliant with DoD and industry standards and to provide additional infrastructure to support DLA growth and increased use of network driven technology. The continued of the DLA infrastructure is essential to the continued improvement of the availability of information and data required for DLA to effectively perform its mission.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description PRD 100 Production Hardware						D. Activity Identification Material Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
PRD 100 Production Hardware	4	1,306	5,225	2	2,551.5	5,103	4	954	3,815			
<p>Narrative Justification: The DLA Transaction Services mission is to receive, validate, edit, route, transmit, and archive nearly all unclassified DoD logistic traffic. This mission is accomplished by a collection of systems that are supported by five financial profiles; TRANSSVCS (former DBASE), DDATA, DGATE, EBUS, and IDE. The requirements identified not only provides the DLA Transaction Services' Enterprise Infrastructure, but also provides the necessary components needed for data exchange, storage, facility and security between the DLA Transaction Services profile environments and DLA Transaction Services' diverse external customer base. The requirements include the necessary hardware to provide support for 12 DoD level repositories to support the logistics data for DoD, other Federal Agencies, the North Atlantic Treaty Organization (NATO), and foreign military sales (FMS) countries. These repositories also support DoD requisition tracking. The DoD Electronic Business gateway at DLA Transaction Services is a highly reliable "global community services" logistics processing application serving the entire DoD community and all DoD logistics customers using DoD and commercial networks. The requirements above include the hardware platforms for GEX and IDE sustainment interfaces, which have been realigned into the DLA Transaction Services core mission. The impact of not replacing these hardware platforms will lead to degradation of services, leading to mission failure.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description NET 100 Network Hardware						D. Activity Identification DLA Distribution		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
NET 100 Network Hardware	0	0	0	1	1,280	1,280	0	0	0			
<p>Narrative Justification:</p> <p>This investment is for Local Area Network (LAN) and Wide Area Network (WAN) upgrades to DLA Distribution and the associated depots. This requirement is to install planned improvements and upgrades of Core/Mission Critical LAN hardware, cable and middleware to provide a robust LAN to support the DLA mission as well as meet DLA technology goals and initiatives. The goals are to reduce procurement lead times, design and implement a best value enterprise IT environment, continue to maintain the current IT environment while supporting operational issues, mandated changes and system enhancements and improve customer response time for services and materiel.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description NET 200 Network Hardware						D. Activity Identification Material Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
NET 200 Network Hardware	1	663	663	3	796.3	2,389	0	0	0			
<p>Narrative Justification:</p> <p>This investment is for Local Area Network (LAN) and Wide Area Network (WAN) upgrades to DLA Primary Level Field Activities (PLFA). This requirement is to install planned improvements and upgrades of Core/Mission Critical LAN hardware, cable and middleware to provide a robust LAN to support the DLA mission as well as meet DLA technology goals and initiatives. The goals are to reduce procurement lead times, design and implement a best value enterprise IT environment, continue to maintain the current IT environment while supporting operational issues, mandated changes and system enhancements and improve customer response time for services and materiel.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017					C. Line Number & Item Description SWD 200-01 Software Development \$1.0 and Over					D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>SWD 200-01</u> Enterprise Business System (EBS)			18,648			21,415			22,620			
<p>Narrative Justification:</p> <p>These investments will be used to provide additional capabilities into EBS. Process Improvement Efforts will improve parts effectiveness and efficiency of the planning processes by focusing on analytics, planning resources, and key performance measures. Time to Award will improve enterprise wide procurement processes to reduce administrative lead time and enhance controls, increase efficiency, and improve warfighter support. Treasury Direct Disbursing will streamline the disbursing process and improve direct processing, and Post Award Request allows population of necessary data and reducing data processing time. DLA Internet Bid Board System security upgrades and Clause Logic Support that creates an interface to DOD's clause generating service will eliminate the need for Headquarters and Primary Level Field Activities to maintain clauses in Enterprise Procurement. Enterprise Geographic Information System (eGIS) and Enterprise Data Warehouse (EDW) leverages the EBS data and analytical capability rather than building its own and developing web service to pull data from EBS. eGIS will provide ability to capture, store, manipulate, analyze, manage, interpret, and present spatial or geographical data to comply with Presidential Policy Directive Critical Infrastructure Security and Resilience (PPD-21) and DODI 8130.01 Installation Geospatial Information and Services to enhance security, resiliency, and management of DLA critical infrastructure. EDW will provide an enterprise approach for storing, organizing, and classifying data and will decrease security vulnerabilities, increase reliable data analytics, and remove outdated technology. EDW will leverage existing EBS capabilities of Segregation of Duties, specific role identification for access, and marry data from our online transaction processes to an online analytical process. Data analysis will provide capabilities of implementation and configuration of the Data Visualization and Big Data capabilities for statistical graphics, plots, and information graphics analysis. DLA is reviewing legacy applications to assess and prioritize the suitability for migration into EBS. We anticipate that these efforts will increase efficiency, reduce operating costs, and improve stakeholder satisfaction.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description SWD 200-02 Software Development \$1.0 and Over						D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 200-02 Defense Medical Logistics Standard Support (DMLSS) Wholesale			2,750			2,397			2,397			
<p>Narrative Justification:</p> <p>The Defense Medical Logistics Standard Support-Wholesale (DMLSS-W) is an integrated system supporting the medical logistics needs of the Services and the Warfighter. The program directly funds the business process improvements and Management Information System (MIS) development at DLA Troop Support Philadelphia with benefits and savings cascading throughout the entire DoD medical logistics supply chain. In FY 2017 – 2018, this investment will support software re-engineering improvements to the DMLSS-W applications in support of the Defense Medical Logistics Enterprise System (DML-ES) Authoritative Source Initiative and associated business processes. This will include the following: As a continuation of the promotion of product, sourcing, and pricing capabilities, existing product and pricing functionality will be reengineered and replaced with capabilities designed to consolidate and optimize the management of multiple sources of back-end product and pricing, as well as associated contracts and pricing agreements. These capabilities will support standardization efforts to normalize and consolidate like items prior to catalog delivery to the Medical Master Catalog (MMC) by enforcing enterprise product-centric business rules at the entry points for product and pricing data, enabling a better alignment with the MMC and its supporting validation modules. This improved, synchronized process to represent quality product and pricing data will result in the availability of cleaner data for all Medical programs and ultimately a more precise catalog file will be delivered to customers providing them with greater opportunities to achieve significant cost savings. Capabilities will be developed to enable the integration of MMC data with processes to support improved equipment lifecycle and medical maintenance management across the Services, providing seamless data and workflow between customers, activities, and management agencies engaged in equipment lifecycle and medical maintenance management. System capabilities will be programmed with Unique Device Identifier (UDI) Track and Trace capabilities to support Drug and Security Act (DQSA) requirements for properly identifying pharmaceutical product packages as they move through the Medical Supply Chain, reducing the risk of counterfeit or tainted products reaching a patient.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description SWD 200-03 Software Development \$1.0 and Over						D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>SWD 200-03</u> DOD EMALL/FedMall			6,301			6,180			6,304			
<p>Narrative Justification:</p> <p>The DOD EMALL (FedMall) is a web-based government procurement application designed to allow users to search or browse for commercial and government off-the-shelf products and services through a single interface, and purchase those products or services online. It fulfills Section 332 of the Fiscal Year 1999 DOD Authorization Act, Public Law 105-261, Title III, Subtitle D, October 17, 1998, which called for a single point of access for DOD ordering on the internet as part of its overall Electronic Commerce (e-commerce) implementation. The DLA goal is to develop a modern, non-proprietary e-commerce system that will be an industry leading commercial solution. DLA plans to move to a modern e-commerce system for DOD, Federal, state, and authorized local agencies. The e-commerce solution is expected to provide the government with a cost effective way to address current and future user needs by providing industry best practices, enhanced system performance, flexibility, and scalability. The combined e-commerce platform and government-wide e-commerce solution will support this DLA-GSA effort and may become a Federal Mall, or FedMall.</p> <p>In FY 2017, development will continue on DOD EMALL's Next Generation E-Commerce Solution (FedMall). This development will include Business Process Engineering, Stakeholder Specific Functionality, and System Architecture, and many changes. The FedMall concept will Go Live in the second quarter of FY 2017. Development funding will be required for multiple FY 2017 releases to associated with the initial Go Live, develop functionality that was re-prioritized, add more Fund Control features for Stakeholders, add Defense Logistics Management System (DLMS) compliant functionality, and develop stakeholder requested functionality that did not meet the scope of release 1.</p> <p>In FY 2018, the developmental effort will support OSD DPAP implementation and other customer requirements will be included to complete the Single Mall CONOPS and DLMS compliance efforts before the FY 2019 deadline. As more users experience DOD EMALL (FedMall), more functionality will be requested by Stakeholders. Development of this functionality as well as any new EBS Business Processes, IA Security findings, and Customer Support functionality will be critical in FY 2018.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017					C. Line Number & Item Description SWD 200-04 Software Development \$1.0 and Over					D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-04 Functional Executive Agent Medical Support (FEAMS)			2,422			2,894			2,177			
<p>Narrative Justification:</p> <p>The FEAMS program is chartered to work with the Services to support the Defense Medical Logistics Enterprise (DMLent) by developing and/or facilitating Doctrine, Organization, Training, Materiel, Leadership, Education, Personnel, and Facilities (DOTMLPF) solutions that enable enterprise transformation and optimize supply chain operations. Supporting its chartered mission through the FY 2018 investment, the FEAMS program will work to develop Medical Contingency Requirements Workflow (MCRW) Release 5 (R5) capability. The MCRW R5 capability will benefit the Services by enabling them to examine the linkage between clinically-approved treatment briefs and the accompanying medical materiel in their assemblies, as well as, provide them functionality to evaluate and determine which assemblies match their operational needs. To improve the Services readiness posture, new capabilities will be enabled to compute and analyze materiel shortfalls and provide efficient and effective means to determine clinically and logistically preferred alternatives. Additionally, in R5, the FEAMS program will work with the Service community to enable business processes, through information technology solutions, to derive demand Materiel Item Estimate (MIEs) forecasts for equipment and consumable medical items, which will help reduce equipment idle time and associated costs needed to maintain fully operation status. Finally, the FEAMS program will also work to enable capability to aggregate DML business intelligence data and perform various data analytic functions to provide the Service's leadership greater visibility on the effectiveness of their current DML Readiness operations and management decisions. Using these new capabilities, the DMLent will be able to continue to optimize its institutional and operational business operations by facilitating and promoting means for the Services to improve medical products clinical and logistical standardization, improve the Services' medical materiel commonality, and increase the range of coverage (the types of distinct NSNs) and depth (NSN quantity required) of the Medical Contingency File (MCF) NSNs on contract, given fixed Warstopper funds investment.</p> <p>The FEAMS Business Case identified potential cost avoidances for DLA and the Services' Medical Logistics Supply Chain of \$124M over the effective life FY 2012 – FY 2022. FEAMS capabilities have strong customer advocacy and will significantly enhance DLA support to the Warfighter.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017					C. Line Number & Item Description SWD 200-05 Software Development \$1.0 and Over					D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 200-05 Governance, Risk and Compliance-Risk Management (GRC-RM)			2,497			0			0			
<p>Narrative Justification:</p> <p>DLA needed a capability to track and maintain Governance, Risk, and Compliance (GRC) data associated with audit readiness. The replaced capabilities consisted of disparate tools and manual processes that were inefficient and could not be maintained over time due to increased volumes of process documents, audit findings, and other miscellaneous documents associated with managing risks relative to GRC. Additionally, use of these tools did not provide an enterprise-wide capability to support the development, maintenance, and communication of information such as laws, regulations, policies, and procedures across the organization. DLA did not have the resources (time, money, personnel) to accurately synthesize and analyze the significant amount of data generated in support of business operations to ensure mission accomplishment. Furthermore, DLA did not have a software application capable of providing a holistic view of operational, tactical, and strategic enterprise governance requirements and, without a tool to effectively process the vast amounts of data produced, DLA would not have been able to efficiently track and maintain governance, risk, and compliance data. Through this investment DLA established an automated tool to provide this capability.</p> <p>In FY 2015 DLA purchase the commercially developed SAP Process Controls and Risk Management modules as well as provided Release 1, which included application setup and configuration of core functionality, workflow, and master data. The FY 2016 investment was used to develop Release 2, which included setup of continuous controls monitoring and integration of external systems.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017					C. Line Number & Item Description SWD 200-06 Software Development \$1.0 and Over					D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>SWD 200-06</u> Segregation of Duties(SoD)			0			0			0			
<p>Narrative Justification:</p> <p>All DLA managed systems, including DoD business systems, must be audit compliant. All DLA Systems did not have a standard automated solution to identify Segregation of Duties (SoD) violations. As part of the DLA-wide audit readiness effort, an enterprise need was identified to standardize access control processes for DLA systems, with a specific focus on minimizing violations to the segregation of duties principle and providing an audit trail when violations do exist. DLA had planned to develop a standardizing, stand-alone system to accomplish this need. However, it was determined to be more cost effective and operationally sound to implement these standards within existing systems. So, although DLA ensured that all of its DLA and DoD Systems across the Enterprise adhere to the Audit mandate to have clean audit opinions and to pass Federal Information System Controls Audit Manual (FISCAM) and Internal Controls – A-123 audits, no stand-alone system was developed.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description SWD 300-01 Software Development						D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 300-01 Net Centric Hubs DLA Transaction Services Enterprise Software			0			414			738			
<p>Narrative Justification:</p> <p>The DLA Transaction Services mission is to receive, validate, edit, route, transmit, and archive nearly all unclassified DoD logistics traffic. This mission is accomplished by a collection of systems that are supported by five financial profiles; TRANSSVCS(former DBASE), DDATA, DGATE, EBUS, and IDE. The requirements identified the necessary software for components needed for data exchange, storage, facility and security between the DLA Transaction Services profile environments and DLA Transaction Services' diverse external customer base. The impact of not purchasing the identified software development and replacing the identified software will lead to the degradation of services leading to mission failure.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)											A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017						C. Line Number & Item Description SWD 400-01 Software Development					D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost	
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost				
SWD 400-01 Master Data Federal Logistics Information System			0			500			0				
Narrative Justification:													
<p>The Federal Logistics Information System (FLIS) Portfolio is comprised of the FLIS system, the FLIS Portfolio Workbench (FPW), the FLIS Portfolio Data Warehouse (FPDW), and other applications such as WebFLIS, Universal Data Repository (UDR) and the Military Engineering Data Asset Locator System (MEDALS). FLIS is identified as the authoritative source system to broadcast the logistics data for numerous processes that support DoD Enterprise Resource Planning (ERP) implementations and many legacy systems. The FPW was designed as a universal, catalog input and work-flow tool as a result of cataloging consolidation. The FPW also performs Supply Support Request (SSR) processing for DLA managed items. The FPDW provides DoD Master Data for FLIS (item identification), Vendor (Commercial and Government Entity (CAGE)/System for Award Management (SAM)), and Customer (Department of Defense Activity Address Code (DoDAAC)/Military Assistance Program Address Directory (MAPAD)) data to the DoD. The FPDW acts as the authoritative distribution source for this master data. The FLIS Portfolio is migrating and or designing new capabilities in webMethods.</p> <p>In FY 2017, the FLIS Portfolio plans to design further capabilities into the FPDW and FPW, such as DoD Collaboration and Item Identification Taxonomy.</p>													

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017					C. Line Number & Item Description SWD 500-01 Software Development \$1.0 and Over					D. Activity Identification DLA Distribution		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>SWD 500-01</u> Distribution Standard System (DSS)			0			1,039			0			
<p>Narrative Justification:</p> <p>The DSS is the DLA standard automated system for distribution processing of Department of Defense (DoD) materiel. DSS provides global service and worldwide support to the warfighter and to federal and civilian customers. DSS provides effective and efficient Distribution in support of America's Armed Forces, by receiving, storing, and shipping materiel around the world. The DSS platform serves as a hub of logistics activity, suppling complex specialized distribution, such as Small Arms Processing, passive and active Radio Frequency Identification (RFID) tagging and tracking, Container Consolidation Point (CCP), set assemblies of medical equipment and hospitals, Theater Consolidation Shipping and Processing (TCSP), Reverse Logistics, Stock Reutilization Donation and Transfer, state of the art mechanized storage and bin retrieval, Packaging, Preservation, Packing, and Materiel (PPPM) marking, hazardous material processing and transportation, and truck scheduling and planning. DSS offers unique receipt processes for new procurement, non-procurement materiel, mapping, small arms serialization processing, maintenance turn-ins, retail non-procurement, local purchase, base operating supply, and additional specialized advances due in receipt processing for the Navy and Marines. DSS coordinates with the Inventory Control Points (ICPs), Service Maintenance Depots, EBS, Defense Logistics Transaction Services (DLATS), federal agencies for civil emergencies, and Foreign Military Sales (FMS). DSS directly supports the management of wholesale and retail distribution for DoD.</p> <p>The FY17 capital investment will support planned Requests for Change (RFCs) for Audit Readiness, process improvements, and capability improvement for critical DSS initiatives and business requirements.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017					C. Line Number & Item Description REP 200-01 Minor Construction					D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>REP 200-01</u> Minor Construction			3,614			3,476			3,276			
<p>Narrative Justification:</p> <p>The minor construction investment for projects (costing between \$250,000 and \$1,000,000.00 each) will construct new, replace existing, or modify current facilities to enhance mission performance, increase the level of protection of the workforce, and the mission stock. These projects include:</p> <ol style="list-style-type: none"> 1. Renovation and alteration of administrative facilities. 2. Upgrades to utility systems to comply with environmental and fire protection standards. 3. Additional paving for road networks and personnel parking to comply with the new AT/FP standoff distances. 4. Incidental improvements associated with facilities repair projects. 5. Security enhancements 6. CDC Expansion 7. Water storage for irrigation 8. ADA enhancements (Site wide) 9. Vehicle washing station <p>All of these projects are required to allow existing missions to continue in safe, compliant, secure and efficient facilities.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017				C. Line Number & Item Description REP 200-02 Minor Construction						D. Activity Identification DLA Distribution		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>REP 200-02</u> Minor Construction			7,860			9,002			9,002			
<p>Narrative Justification:</p> <p>The minor construction investment for projects (costing between \$250,000 and \$1,000,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:</p> <ol style="list-style-type: none"> 1. Installing and upgrading fire suppression and alarm systems to meet current code requirements. 2. Upgrading security facilities (gates, fences, and lighting) to meet current Anti-Terrorism/Force Protection standards. 3. Adding new and improving areas for open storage, road networks and operational areas. 4. Altering facilities to accommodate mission changes, consolidation and stock repositioning. 5. Improvements to utilities to enhance reliability. 6. Incidental improvements associated with facilities repair projects. 7. Replacement of existing facilities that cannot be economically repaired. 8. Installing generators to provide backup power to support cold chain management of medical items. <p>These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the distribution mission.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Supply Chain Management Activity Group May 2017					C. Line Number & Item Description REP 200-03 Minor Construction					D. Activity Identification DLA Disposition Services		
Element of Cost	FY 2016			FY 2017			FY 2018			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>REP 200-03</u> Minor Construction			3,642			2,100			3,175			
<p>Narrative Justification:</p> <p>The minor construction investment for projects (costing between \$250,000 and \$1,000,000.00 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:</p> <ol style="list-style-type: none"> 1. Adding paving or concrete extensions for open storage, road networks and operational areas. 2. Altering facilities to accommodate mission changes, consolidation, and relocation. 3. Improvements to warehouse, administrative, and demilitarization facilities to increase employee safety and comfort. 4. Replacement of facilities that cannot be economically repaired. 5. Incidental improvements associated with facilities repair projects. 6. Adding new facilities to store equipment and material. 7. Upgrading working systems for various site facilities to comply with code <p>These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the DLA Disposition Services mission.</p>												

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY CHAIN MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
CAPITAL BUDGET EXECUTION
May 2017
(DOLLARS IN MILLIONS)

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	29.249	20.500	(8.749)	carryover obligation authority for most of the remaining balance
ADPE & TELCOM Equipment:	29.849	5.888	(23.961)	reduced requirements and or below the capital threshold amount
Software Development:	37.790	32.618	(5.172)	Decrease of an DLA software development program.
Minor Construction:	16.193	15.116	(1.077)	projects actual were below estimates
Total FY 2016	113.081	74.122	(38.959)	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	38.632	38.632	0.000	
ADPE & TELCOM Equipment:	19.577	19.577	0.000	
Software Development:	34.839	34.839	0.000	
Minor Construction:	14.578	14.578	0.000	
Total FY 2017	107.626	107.626	0.000	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	0.000	27.904	27.904	
ADPE & TELCOM Equipment:	0.000	17.171	17.171	
Software Development:	0.000	34.236	34.236	
Minor Construction:	0.000	15.453	15.453	
Total FY 2018	0.000	94.764	94.764	

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
ENERGY MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY
(\$ IN MILLIONS)

Line Number	Item Description	FY 2016		FY 2017		FY 2018	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
NEW 200-01	Fuel Terminal Automation	12	5.008	6	11.100	4	8.900
NEW/REP 200-02	Inventory Accuracy	9	3.822	3	5.800	3	6.000
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	21	8.830	9	16.900	7	14.900
SWD 200			0.000		0.000		0.000
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		0.000		0.000		0.000
REP/ENV 200	Minor Construction \$250,000 - \$1,000,000		33.601		47.288		49.239
	<u>TOTAL MINOR CONSTRUCTION</u>		33.601		47.288		49.239
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	21	42.431	9	64.188	7	64.139
	Total Capital Outlays		29.166		49.776		58.219
	Total Capital Investment Recovery		69.502		67.277		63.869

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2018
Budget Estimates

B. Component/Business Area/Date
Defense Logistics Agency
Energy Management Activity Group May 2017

C. Line Number & Item Description
NEW 200 Non-ADP Equipment – New Mission

D. Activity Identification
DLA Energy

Element of Cost	FY 2016			FY 2016			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>NEW 200-01</u> Fuel Terminal Automation – New Mission	12	417	5,008	6	1,850	11,100	4	2,225	8,900			

Narrative Justification:

The Automated Fuel Handling Equipment (AFHE) allows large bulk fuel locations to monitor and control fuel operations from a central location on site, via dedicated network communications, through an installed computer application. The fuel terminal automation projects will include automation of valves, fuel transfer pumps, tank gauging, fuel metering systems, and pipeline instrumentation. As the integral component of the AFHE system, the Supervisory Control and Data Acquisition (SCADA) systems will be installed in the Operations Control Center (OCC) optimally located on the base. The SCADA system will provide remote control of fuel transfer operations and alarms in response to abnormal conditions; enhanced capabilities for inventory control and accounting; enhanced leak detection capabilities; remote monitoring and data exchange. The entire operations of the terminal, such as, receiving and issuing fuel will be controlled from the OCC. The communication infrastructure and other devices required for the transfer of alarm and inventory data and control signals from the field equipment to the OCC will also be provided. The primary cost benefit of these automation projects is the prevention of oil spills, avoiding costly cleanup expenses and minimizing environmental risks.

The following sites are planned for AFHE installations and lifecycle upgrades in FY 2017 – FY 2018:

FY 2017- NAS Pensacola, FL, NAS North Island, CA, Ramstein AB Germany, MCAS Cherry Point, MCAS Beaufort and Travis AFB, CA
FY 2018 –Ramstein AB Germany, MCAS Cherry Point, MCAS Beaufort and NAVSTA Rota

Due to changing operating scenarios and construction requirements, the order of installations may change and other sites may be substituted.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Energy Management Activity Group May 2017					C. Line Number & Item Description NEW 200 Non-ADP Equipment-New Mission/Replacement					D. Activity Identification DLA Energy		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>NEW & REP 200-02</u> Inventory Accuracy New Mission and Replacement	9	423	3,822	3	1,933	5,800	3	2,000	6,000			
<p>Narrative Justification:</p> <p>There are more than 400 fuel terminals worldwide for which DLA is the DoD Executive Agent. In all of these terminals there are various types of fuel tanks, each with Automated Tank Gauges (ATG). ATG systems are permanently installed in storage tanks to measure and monitor fuel levels and inventories. The devices efficiently provide information regarding the amount of product, temperature, and water in fuel tanks. These gauges have connectivity to the Business Systems Modernization (BSM) Energy system, FuelsManager Defense (FMD), which will capture all the data with regard to fuel stored and maintain accurate inventory records. The various Service Stations in DoD facilities have equipment to capture the quantity of fuel stored and also have connectivity to the same BSM Energy system, FMD. The primary cost benefit of this investment is accurate inventory records and fuel loss control procedures.</p> <p>Temperature Compensating Meters (TCM) are required at fuel terminals to measure the exact amount of fuel received and issued after the required compensation for differences in temperature. The meters will be installed at various custody transfer points in the fuel terminal to ensure that accurate charges for the fuel received and issued are recorded and that sufficient amounts of fuel are maintained and protected. DLA has been coordinating closely to identify and prioritize TCM locations.</p> <p>Hydrant Automation Monitoring Systems (HAMS) have been authorized by the DLA Energy Executive Agent Office to integrate existing hydrant pump house system monitoring back into the sites Fuels Service Centers (FSC) allowing for 24/7 monitoring of all alarms and activities associated with the hydrant systems.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Energy Management Activity Group May 2017				C. Line Number & Item Description Minor Construction Capability -Replacement/Environmental						D. Activity Identification DLA Energy		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>REP & ENV 200</u> Minor Construction Replacement/Environmental			33,601			47,288			49,239			
<p>Narrative Justification:</p> <p>The minor construction investment for projects (costing between \$250,000 and \$1,000,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance and increase the level of protection of the workforce and the mission stock. These projects include:</p> <ol style="list-style-type: none"> 1. Upgrading fuel receipt, storage, pipeline, pumping, and filtration facilities. 2. Upgrades to utility systems for environmental compliance, energy efficiency, and fire protection standards. 3. Incidental improvements associated with facilities repair projects <p>The minor construction capital is for execution of emerging requirements for aging petroleum infrastructures. This includes the match funding increases of operations and maintenance to projects requiring both funding sources. Other contributing factors include inflation in construction material, labor, and transportation costs, dollar devaluation against foreign currencies mainly for OCONUS projects, and older facilities exceeding the 70% plant replacement value to repair.</p> <p>Benefits include continued safe, compliant and efficient facility operations.</p>												

DEFENSE LOGISTICS AGENCY
ENERGY MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
CAPITAL BUDGET EXECUTION
May 2017
(DOLLARS IN MILLIONS)

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	19.840	8.830	(11.010)	carryover obligation authority for the remaining projects
ADPE & TELCOM Equipment:	0.000	0.000	0.000	
Software Development:	0.000	0.000	0.000	
Minor Construction:	43.952	33.601	(10.351)	estimated requirements were not within the threshold
Total FY 2016	63.792	42.431	(21.361)	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	16.900	16.900	0.000	
ADPE & TELCOM Equipment:	0.000	0.000	0.000	
Software Development:	0.000	0.000	0.000	
Minor Construction:	47.288	47.288	0.000	
Total FY 2017	64.188	64.188	0.000	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	0.000	14.900	14.900	
ADPE & TELCOM Equipment:	0.000	0.000	0.000	
Software Development:	0.000	0.000	0.000	
Minor Construction:	0.000	49.239	49.239	
Total FY 2018	0.000	64.139	64.139	

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
DLA DOCUMENT SERVICES ACTIVITY GROUP
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY
(\$ IN MILLIONS)

Line Number	Item Description	FY 2016		FY 2017		FY 2018	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	NON-ADPE EQUIPMENT						
REP 100	Digitization Duplication Equipment	0	0.000	0	0.000	0	0.000
	<u>TOTAL EQUIPMENT (Non ADP)</u>	0	0.000	0	0.000	0	0.000
	ADPE & TELECOM EQUIPMENT						
PRD 100	Computer Hardware (Production)	0	0.000	0	0.000	1	0.665
	<u>TOTAL EQUIPMENT (ADP/T)</u>	0	0.000	0	0.000	1	0.665
	SOFTWARE DEVELOPMENT						
SWD 100	Net-Centric Hubs \$1.0M and Over-Electronic Document Management	0	0.811	0	0.000	0	2.572
	<u>TOTAL SOFTWARE DEVELOPMENT</u>	0	0.811	0	0.000	0	2.572
	MINOR CONSTRUCTION						
REP 200	Minor Construction \$250,000 - \$750,000	0	0.000	0	0.324	0	0.330
	<u>TOTAL MINOR CONSTRUCTION</u>	0	0.000	0	0.324	0	0.330
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	0	0.811	0	0.324	1	3.567
	Total Capital Outlays		0.000		0.973		0.660
	Total Capital Investment Recovery		3.555		1.492		0.521

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Document Services May 2017				C. Line Number & Item Description REP 100 Replacement Non-ADP Equipment						D. Activity Identification: DLA Document Services		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
REP 100 Digitization Duplication Equipment	0	0	0	0	0	0	0	0	0			
<p>Narrative Justification:</p> <p>The investments were for high speed duplicating equipment to replace existing equipment that has reached or exceeded the useful life established for these categories. The equipment requirements are below the capital threshold and will no longer be reflect starting in PBR18.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Document Services May 2017				C. Line Number & Item Description PRD 100 Production ADP Equipment						D. Activity Identification DLA Document Services		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
PRD 100 Production Hardware Electronic Document Management	0	0	0	0	0	0	1	665	665			
<p>Narrative Justification:</p> <p>Electronic Document Management (EDM) program is a service to building digital libraries for documents with online access. EDM provides the customer with the ability to manage their content via electronic storage, workflow, web-based retrieval and certified records management. It allows for the rapid acquisition of hardware, software and technical labor services for the deployment and implementation of various data management solutions for emergent customer requirements. DLA Document Services must be able to react quickly to evolving customer demands for fact-of-life needs for this service. Projected ADP equipment system consist of databases, archive and web servers, document scanners, uninterruptible power supplies, miscellaneous switches, cables, and connectors. With the growing technology, the equipment strategy ensures the highest quality and increasing the workflow functionality to the equipment being purchased, it minimizes equipment related costs by taking advantage of discounts available for high quantity buys.</p> <p>In FY 2017, the projections for EDM equipment estimates were below the capitalization threshold, with the possibility of future year requirements coming in below this threshold. With records management compliant and enhanced business processes for this capability, the projections for FY 2018 are based on the number, size and scope of projects DLA Document Services anticipates to install.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Document Services May 2017				C. Line Number & Item Description SWD 100 Software Development \$1.0 and Over						D. Activity Identification DLA Document Services		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>SWD 100</u> Net-Centric Hubs Electronic Document Management			811			0			2,572			
<p>Narrative Justification:</p> <p>Electronic Document Management (EDM) program is a service to building digital libraries for documents with online access. EDM provides the customer with the ability to manage their content via electronic storage, workflow, web-based retrieval and certified records management. It allows for the rapid acquisition of hardware, software and technical labor services for the deployment and implementation of various data management solutions for emergent customer requirements. DLA Document Services must be able to react quickly to evolving customer demands for fact-of-life needs for this service. Software requirements are for COTS application software licenses and contract labor to perform software integration, testing, configuration and interfaces. With records management compliant and enhanced business processes for this capability, FY 2018 projections are based on the estimated number, size and scope of projects DLA Document Services anticipates to install.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2018 Budget Estimates		
B. Component/Business Area/Date Defense Logistics Agency Document Services May 2017				C. Line Number & Item Description Rep 200 Minor Construction						D. Activity Identification DLA Document Services		
Element of Cost	FY 2016			FY 2017			FY 2018					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
REP 200 Minor Construction			0			324			330			
<p>Narrative Justification:</p> <p>The minor construction investment for projects (between \$250,000 and \$1,000,000) will construct new, replace existing, or modify current facilities to implement mission consolidations and allow for operational improvements. These projects consist of:</p> <ol style="list-style-type: none"> (1) Renovations and alterations of administrative facilities. (2) Renovations and alterations to mission operational facilities such as printing, blueprint and microfilm facilities. <p>These investments will result in cost effective facilities to support the mission.</p>												

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
DLA DOCUMENT SERVICES ACTIVITY GROUP
FISCAL YEAR (FY) 2018 BUDGET ESTIMATES
CAPITAL BUDGET EXECUTION
May 2017
(DOLLARS IN MILLIONS)

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	0.600	0.000	(0.600)	Projects were under the capital threshold
ADPE & TELCOM Equipment:	0.665	0.000	(0.665)	Projects were under the capital threshold
Software Development:	2.572	0.811	(1.761)	Reduced requirements
Minor Construction:	0.318	0.000	(0.318)	Reprogram to DLA Supply Chain Mgmt Minor construction
Total FY 2016	4.155	0.811	(3.344)	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	0.000	0.000	0.000	
ADPE & TELCOM Equipment:	0.000	0.000	0.000	
Software Development:	0.000	0.000	0.000	
Minor Construction:	0.324	0.324	0.000	
Total FY 2017	0.324	0.324	0.000	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	0.000	0.000	0.000	
ADPE & TELCOM Equipment:	0.000	0.665	0.665	
Software Development:	0.000	2.572	2.572	
Minor Construction:	0.000	0.330	0.330	
Total FY 2018	0.000	3.567	3.567	

