

DEFENSE WORKING CAPITAL FUND

**DEFENSE-WIDE
FISCAL YEAR (FY) FY 2008/2009
BUDGET ESTIMATES**

OPERATING AND CAPITAL BUDGETS



**FEBRUARY 2007
CONGRESSIONAL DATA**

**DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2008/2009 BUDGET ESTIMATES**

DEFENSE-WIDE SUMMARY

Defense Agencies operate eight activity groups. The Defense Logistics Agency (DLA) operates four of these activity groups while the Defense Finance and Accounting Service (DFAS) and the Defense Information Systems Agency (DISA) each operate two activity groups. DFAS will merge its two business areas (Financial Operations and Information Services) in FY 2008 to further consolidate its organization structure.

DFAS was formed in January 1991 from the Military Services finance and accounting functions. The mission of DFAS is to provide Accounting and Finance services for the Department of Defense. From FY 2006 to FY 2009, DFAS will reduce its workforce by 16% by implementing Base Realignment and Closure actions and other management efficiencies.

DISA was reorganized in 1991 from the former Defense Communications Agency. Its responsibilities include obtaining common telecommunication and information services for command and control. DISA also provides assistance in additional communication support to meet other customer needs.

DLA, formed in the early 1960s, operates the Distribution Depots, Defense Reutilization and Marketing Service, Supply Management, and Document Automation and Production Service activity groups. Distribution Depots receive, store, and ship inventory. The functions of the Defense Reutilization and Marketing Service include the reutilization of excess and surplus property and the donation, sale, or disposal of surplus DoD personal property. Supply Management conducts the procurement, inventory management, and technical operations functions for the defense inventory of consumable items. The Document Automation and Production Service provides printing services to DoD customers.

The Defense-Wide DWCF, like the remainder of the DWCF, does not present a peacetime budget. Projected workload, staffing, and other planning factors provide the estimated wartime workload. This continues the practice of the last several budgets and is necessary to support the most likely customer demand.

DEFENSE-WIDE WORKING CAPITAL FUND CASH

The chart below displays the actual Defense-Wide Working Capital Fund (DWWCF) cash balance at the end of FY 2006 and balances projected for year-end through FY 2009.

Dollars in Millions	<u>FY</u> <u>2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Beginning of Period, Cash	1,244.4	1,463.3	1,162.7	1,709.9
Disbursements	41,214.2	40,973.6	40,516.3	39,718.4
Collections	40,731.7	40,471.4	40,727.3	40,045.1
Net Outlays	482.5	502.2	-211.0	-326.7
<u>Appropriation</u>				
FY 2006 DoD Title IX - Fuel	2,200.0			
FY 2006 DoD Title IX - non-Fuel	84.4			
FY 2007 request non-fuel		17.6		
FY 2008 request non-fuel			22.9	
FY 2009 request non-fuel				28.4
<u>Supplemental</u>				
FY 2006 Hurricane Relief	21.4			
FY 2006 DoD GWOT Supplemental	132.0			
FY 2007 DoD Supplemental Request		558.8		
FY 2008 DoD GWOT Request			313.3	
<u>Transfers</u>				
FY 2006 DoD Title IX - Fuel	-1,465.2	0.0	0.0	0.0
<u>Re-apportioned within DWWCF</u>				
FY 2006 DoD Title IX - Fuel	-271.2	-374.8		
Ending of Period, Cash	1,463.3	1,162.7	1,709.9	2,065.0

FY 2006 Cash: In FY 2006, the DWWCF net outlays from operations were \$482.5 million. The primary reason for positive net outlays was Supply Management Non-Energy with net outlays of \$495.6 million. Supply Management Non-Energy's outlays were driven by the decrease in sales and the higher than planned credit returns. Record high world fuel market prices necessitated the DWWCF to increase DoD internal fuel rates over budgeted levels to ensure the solvency of the Fund. The DWWCF received \$2.2 billion in Title IX of the FY 2006 DoD Appropriations Act for 2006 to offset fuel price increases. The majority of this funding was subsequently transferred by prior approval reprogramming to appropriated customers, with the remainder re-apportioned within the DWWCF to cover fuel customers impacted by the increased DoD fuel rates.

FY 2007 Cash: In FY 2007, DWWCF net outlays from operations are projected at \$502.2 million. This outlay relates to wartime costs requested for supplemental funding. This amount is offset by \$17.6 million in appropriations for

Reutilization, Transfer, and Disposal costs (\$15.6 million) and DFAS systems costs (\$2.0 million). The DWWCF has requested \$558.8 million in supplemental funding (Supply Management: Non-Energy - \$243.4 million for Combat Inventory Recap, and Energy - \$296.1 million for Fuel Transportation and Combat Fuel Losses; Distribution Depots - \$15.5 million for Theater Redistribution; and Defense Reutilization and Marketing Service - \$3.8 million for Operations). FY 2007 also reflects the completion of the re-apportioning of residual fuel funding to other business areas within DWCF.

FY 2008 Cash: In FY 2008, DWWCF net outlays from operations are projected at \$-211.0 million. The DWWCF is requesting \$22.9 million in appropriations for Reutilization, Transfer, and Disposal costs (\$20.9 million) and DFAS systems costs (\$2.0 million). The DWWCF has requested \$313.3 million in supplemental funding (Supply Management Energy - \$295.0 million for Fuel Transportation, Combat Fuel Losses, and Fuel Terminal Operations; Distribution Depots - \$13.0 million for Theater Redistribution; and Defense Reutilization and Marketing Service - \$5.3 million for Operations).

FY 2009 Cash: In FY 2009, DWWCF net outlays from operations are projected at \$-326.7 million. The DWWCF is planning to request \$28.4 million in appropriations for Reutilization, Transfer, and Disposal costs (\$25.8 million) and DFAS systems costs (\$2.6 million).

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL
SOURCE OF NEW ORDERS AND REVENUE
FISCAL YEAR (FY) 2008/2009 BUDGET ESTIMATES
FEBRUARY 2007
(Dollars in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders:				
a. Orders from DoD Components				
Army	11,570.3	11,887.5	10,739.3	10,105.0
Navy	7,513.7	7,872.5	7,976.4	7,933.2
Air Force	11,071.4	11,002.6	11,162.8	11,119.2
Marine Corps	1,086.3	1,005.5	975.9	943.8
Other	3,201.8	2,821.1	3,752.4	3,882.6
b. Orders from Other Fund Activity Group	3,296.2	2,896.8	3,034.0	3,000.3
c. Total DoD	37,739.7	37,486.0	37,640.8	36,984.1
d. Other Orders:				
Other Federal Agencies	1,223.1	1,297.2	1,382.6	1,351.4
Trust Fund	0.0	0.0	0.0	0.0
Exchange Activities	0.0	0.0	0.0	0.0
Non Federal Agencies	810.7	968.3	985.0	1,018.6
Foreign Military Sales	824.2	959.3	983.7	991.0
2. Carry-In Orders	2,356.4	1,961.6	1,979.7	1,935.8
3. Total Gross Orders	42,954.1	42,672.4	42,971.8	42,280.9
4. Funded Carry Over	2,233.0	1,991.5	1,935.2	1,892.8
5. DRMS Sales Proceeds	100.4	85.5	92.1	57.6
6. Total Gross Sales	40,821.5	40,766.4	41,128.7	40,445.7

DEFENSE-WIDE WORKING CAPITAL FUND
SUMMARY
FISCAL YEAR (FY) 2008/2009 BUDGET ESTIMATES
REVENUE AND EXPENSES
FEBRUARY 2007
(Dollars in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue:				
Gross Sales	40,644.7	40,409.8	40,714.0	39,997.9
Operations	40,204.6	40,119.0	40,499.4	39,807.2
Capital Surcharge	146.7	34.2	(25.0)	(32.4)
Depreciation excluding Major Construction	293.4	256.6	239.6	223.1
Major Construction Depreciation	0.0	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0	0.0
Other Income	742.9	1,185.1	1,345.7	1,372.3
Refunds/Discounts (-)	(681.5)	(624.5)	(730.3)	(732.7)
Total Income	40,706.1	40,970.4	41,329.4	40,637.5
Expenses:				
Cost of Materiel Sold from Inventory	27,611.3	27,908.5	26,673.9	25,907.3
Materiel-Related	0.0	0.0	0.0	0.0
Salaries and Wages:				
Military Personnel Compensation & Benefits	60.6	60.7	66.7	68.4
Civilian Personnel Compensation & Benefits	2,673.0	2,883.0	2,930.9	2,897.4
Travel & Transportation of Personnel	70.7	89.0	83.3	85.0
Materials & Supplies (For Internal Oper)	427.5	438.2	427.8	411.5
Equipment	128.7	152.8	162.5	164.6
Other Purchases from Revolving Funds	1,015.7	1,137.1	1,119.8	1,099.5
Transportation of Things	2,019.2	1,079.7	1,043.4	824.1
Major Maintenance & Repair	0.0	0.0	0.0	0.0
Depreciation - Capital	374.0	356.5	354.2	337.3
Printing & Reproduction	224.4	287.7	287.8	297.1
Advisory and Assistance Services	35.2	33.2	31.2	31.6
Rent, Communication, Utilities, & Misc.	1,729.4	2,019.8	2,145.0	2,167.9
Other Purchased Services	4,335.4	4,837.4	5,665.8	5,781.3
Total Expenses	40,705.1	41,283.6	40,992.3	40,073.0
Operating Result	1.0	(313.2)	337.1	564.5
Less Capital Surcharge Reservation	(146.7)	(34.2)	(38.3)	(30.9)
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0	0.0
Other Adjustments Affecting NOR	147.0	(666.6)	(66.2)	(281.7)
Net Operating Result (NOR)	1.3	(1,014.0)	232.6	251.9
Prior Year Adjustments	0.0	0.0	0.0	0.0
Other Changes Affecting AOR	(61.2)	(122.3)	0.0	0.0
Prior Year AOR	998.5	938.2	(198.2)	34.2
Accumulated Operating Result (AOR)	938.6	(198.1)	34.4	286.1
Non-Recoverable Adjustments Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Results for Budget Purposes	938.6	(198.1)	34.4	286.1

DEFENSE FINANCE AND ACCOUNTING SERVICE

OVERVIEW

As the world's largest finance and accounting operation, the Defense Finance and Accounting Service's mission is to provide responsive, professional finance and accounting services to active, reserve and retired military as well as DoD and other civilian employees. DFAS works in partnership with defense agencies, the military services, and the combatant commands to provide timely business information to key decision makers. Their focus is on getting customers timely and accurate information to effectively manage their resources. To serve their customers' needs, they perform multiple roles and provide a diverse set of services.

DFAS team performs an important role in support of American forces mobilized around the world. By focusing on the finance and accounting needs of the military services, the war fighters can concentrate on the mission. Their commitment is to perform timely finance and accounting services at the lowest cost, with a high degree of accuracy, utilizing electronic processes wherever possible.

With multiple locations around the world and easily accessible internet sites, DFAS's military and civilian customers can access payroll information anywhere a secure internet connection is available. For example, customers are able to enter time and attendance, process travel claims, expedite payment of claims, and receive electronic leave and earnings statements and W-2s.

DFAS continues to efficiently process customer invoices in an accurate and timely manner. During FY 2006, they have processed more than 13.8 million invoices and reduced the amount of interest payment penalties to by \$11 per million dollars disbursed. In FY 2006 the percentage of over aged invoices declined by 11%. Increased usage of electronic commerce (electronic receipt of contracts, invoices and receiving reports) reduces cycle time, errors and rework, supports E-government, and facilitates auditability, allowing for reduced customer bills and free up resources to support the warfighter.

During FY 2006, DFAS processed over 145 million pay transactions, disbursed over \$424 billion, and posted over 57 million accounting general ledger transactions. They managed more than \$183.5 billion in the Military Retirement Trust Fund and \$73.1 billion in the Medicare-Eligible Retiree Health Care Fund. They continuously pursue initiatives to enhance our value to the customer by improving service and reducing costs.

The information and technology function focuses on continuous improvement of DFAS's systems and infrastructure support services. It allows them to take advantage of evolving technology, improving

their ability to compute entitlements, disburse and account for funds. The evolution of technology and the potential to enable major improvements in their business practices necessitates continuous top management focus on information and technology planning, systems development/maintenance and daily infrastructure operations.

The Base Realignment and Closure (BRAC) decision coincides with the agency's mandate to provide finance and accounting services at the lowest cost by maximizing efficiency through reorganization of people and processes. DFAS closed five sites in FY 2006, maintaining the BRAC schedule. By the end of FY 2009 DFAS will have closed 21 sites leaving only five primary locations, to maximize efficiencies of operations. Transformation during BRAC allows DFAS to achieve an optimal distribution of workload, improve oversight and control, eliminate redundant systems, and sustain successful mission operations. By leveraging BRAC decisions, DFAS is able to improve operational structure and business processes while shedding excess capacity. They are using BRAC and transformation to facilitate the implementation of strategic goals to improve operational performance and service while improving the availability, visibility and usefulness of financial management information. In addition the Financial Operations and Information Services Business Areas will have been merged by FY 2008 to further streamline the agency.

DFAS monitors their journey to excellence through measurement of key factors that impact their customers. These factors are shown as follows:

Output Measure	Description	GOAL	FY2006 Actual	FY2007 Estimate	FY2008 Estimate	FY2009 Estimate
Accuracy of Military Pay Accounts	Process accurately 99.6% of military pay entitlement calculations.	99.60%	99.60%	99.70%	99.80%	99.80%
Accuracy of Civilian Pay Accounts	Process accurately 99.6% of civilian pay entitlement calculations.	99.60%	99.60%	99.70%	99.80%	99.80%
Military Pay Problems Resolved	Resolve 99% of military pay problems within 20 days from receipt of corrected data.	99.00%	99.60%	99.00%	99.00%	99.00%
Civilian Pay Problems Resolved	Resolve 99% of civilian pay problems within 20 days from receipt of corrected data.	99.00%	100.00%	99.00%	99.00%	99.00%
Timeliness of Temporary Duty Travel - Computed and Disbursed	Temporary duty travel payments are computed and disbursed 96% of the time within 8 days.	96.00%	80.75%	96.00%	96.00%	96.00%

DFAS ACTIVITIES AND LOCATIONS - POST BRAC

Financial Operations Business Area:

Functional Divisions:

Principal Deputy Director
Deputy Director for Operations
Deputy Director for Strategic Business Management

Locations:

Indianapolis, Indiana
Rome, New York
Columbus, Ohio
Limestone, Maine
Cleveland, Ohio

OPERATIONS BUDGET BY ACTIVITY GROUP

Financial Operations Budget Activity Group:

The Financial Operations business area is composed of three Functional Divisions. The Principal Deputy Director Division includes agency support activities such as Corporate Resources, General Counsel, Internal Review, etc. which impact most of the agency operations. The Operations Division, the largest, is responsible for military and civilian pay services, commercial pay services, and accounting services. In addition to these components, DFAS is also responsible for safeguarding U.S. funds through the delivery of payments and receipt of collections, providing prompt payment, accurate and timely disbursing service, and reporting Disbursing Officer accountability to the Department of Treasury. The third is Strategic Business Management where agency planning functions and transformation as well as performance measurements are performed.

The following table identifies costs, revenue, and workforce data for FY 2006 through 2009:

	(Dollars in Millions)			
<u>Funding:</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Costs	1,643.1	1,601.5	1,498.6	1,416.8
Revenue	1,628.5	1,628.5	1,563.5	1,485.3
<u>Personnel:</u>				
Civilian End Strength (E/S)	12,388.0	12,309.0	10,230.0	10,443.0

Civilian Workyears (WYs)	12,270.0	12,554.7	11,368.8	10,458.0
Military End Strength	246	259	259	259

FY 2007 President's Budget to FY 2007 Revised Current Estimate: DFAS continues to reduce workyears and overhead costs. The increase is a result of transforming Financial Operations and Information Services into one Business Area (except for carry-over work that will be completed in Information Services during FY 2007). Further, economies were realized through BRAC closures/realignments, Transformation, and implementation of High Performing Organizations.

FY 2007 Estimate to FY 2008 Estimate: Costs reflect a decrease of \$102.9 million as a result of completing the transformation of the Financial Operations and Information Services into one Business Area. Further, economies were realized through continuing BRAC closures/realignments, Transformation, and implementation of High Performing Organizations.

FY 2008 Estimate to FY 2009 Estimate: Costs reflect a decrease of \$81.8 million as a result of continuing BRAC closures/realignments, Transformation, and implementation of High Performing Organizations.

Net Operating Results - Financial Operations
(Dollars in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	1,628.5	1,628.5	1,563. 5	1,485 .3
Costs	1,643.1	1,601.5	1,498. 6	1,416 .8
NOR	-14.6	27.0	1.6	5.2

INFORMATION SERVICES BUDGET BY ACTIVITY GROUP

Information Services Budget Activity Group:

The Information Services business area is composed of the major business line - Technology Services Organization (TSO) headquartered at Kansas City with locations throughout DFAS.

The following table identifies costs, revenue, and workforce data for FY 2006 through 2009:

(Dollars in Millions)				
<u>Funding:</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Costs	169.5	34.7	N/A	N/A
Revenue	175.0	33.1	N/A	N/A
<u>Personnel:</u>				
Civilian End Strength (E/S)	756.0	224.0	N/A	N/A
Civilian Workyears (WYs)	936.0	224.9	N/A	N/A
Military End Strength	N/A	N/A	N/A	N/A

FY 2007 President's Budget to FY 2007 Revised Current Estimate: In the FY 2007 Program Budget Review, Information Services was merged with Financial Operations Business Area. FY 2007 reflects residual in-process work to be completed. The full merger will be completed in FY 2008. The decrease of \$92.5 million (from the FY 2007 President's Budget) reflects the reduction for workload moved to the Financial Operations Business Area.

FY 2007 Estimate to FY 2008 Estimate: The residual costs in FY 2007 represent the continuation of the Business Area to complete carry-over work only. The remaining functionality was transformed into the Financial Operations Business Area.

INFORMATION SERVICES

(Dollars in Millions)

Costs by Output Category	<u>FY 2006</u>	<u>FY2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Direct Billable Hours	153.4	30.2	N/A	N/A
Support to Others	16.1	4.5	N/A	N/A
Total Costs	169.5	34.7	N/A	N/A

DFAS Information Services' output categories cover Direct Billable Hours and Support to Others. The output entitled Support-to-others is not workcount driven and is managed on a cost reimbursable basis. In general, DFAS workload continues to decrease in consonance with projected customer dollar and personnel resources.

INFORMATION SERVICES

(Numbers in Millions)

Workload by Output
Category

	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
Direct Billable Hours	2.0	0.4	N/A	N/A

In FY 2007 DFAS plans to begin the transformation of Information Services into the Financial Operations Business Area leaving only carry-over work for FY 2007. The transformation will be complete beginning in FY 2008.

Net Operating Results - Information Services

(Dollars in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	175.0	33.1	N/A	N/A
Costs	169.5	34.7	N/A	N/A
NOR	5.4	-1.6	N/A	N/A

Fiscal Year (FY) 2008-2013 Defense Program and Budget Review
Changes in the Costs of Operation
Component: Defense Finance and Accounting Service
Business Area: Financial Operations
February 2007
(Dollars in Millions)

	Expenses
FY 2006 Actual:	1,643.1
FY 2007 Estimate in President's Budget:	1,529.7
Pricing Adjustment: Customer Workcount Adjustment	47.1
Program Change:	
IT Adjustments to fund capital as a result of Business Area merger	24.7
FY 2007 Current Estimate:	1,601.5
Pricing Adjustments:	
Pay Raises/Inflation	39.7
Depreciation	(18.6)
Program Changes:	
BRAC Transformation/Workload Efficiencies	(124.0)
FY 2008 Estimate:	1,498.6
Pricing Adjustments:	
Pay Raises/Inflation	39.5
Depreciation	(11.1)
Program Changes:	
BRAC Transformation/Workload Efficiencies	(110.2)
FY 2009 Estimate:	1,416.8

Fiscal Year (FY) 2008-2009 Budget Estimates
Sources of Revenue
Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 2007
(Dollars in Millions)

	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
a. Orders from DoD Components:				
O&M, DW - Armed Forces Information Service	1.0	1.1	2.0	1.6
O&M, DW - Army Corps of Engineers	3.3	3.1	2.8	2.7
O&M, DW - Defense Acquisition University	0.6	0.6	0.5	0.5
O&M, DW - Defense Contract Audit Agency	3.9	4.8	4.5	4.4
O&M, DW - Defense Contract Management Activity	7.0	7.4	6.8	6.6
O&M, DW - Defense Health Program	39.9	50.9	28.3	28.1
O&M, DW - Defense Information Systems Agency	8.7	11.6	8.7	8.6
O&M, DW - Defense Information Technology Contracting Office	4.8	7.5	5.5	5.4
O&M, DW - Defense Intelligence Agency	0.6	0.6	0.5	0.5
O&M, DW - Defense Prisoner of War/Missing Personnel Office	0.3	0.5	0.4	0.4
O&M, DW - Defense Security Service	0.4	0.5	0.8	0.8
O&M, DW - Defense Technical Information Center	1.4	1.5	1.4	1.3
O&M, DW - Defense Technology Security Administration	0.3	0.3	0.2	0.3
O&M, DW - Defense Test Resource Management Center	0.1	0.0	0.0	0.0
O&M, DW - Defense Threat Reduction Agency	3.5	3.8	3.5	3.6
O&M, DW - DISA, White House Communications Agency	0.0	0.0	0.0	0.0
O&M, DW - DoD Education Activity	6.7	8.0	7.3	7.2
O&M, DW - DoD Human Resources Activity	12.0	12.3	10.4	10.3
O&M, DW - DoD Inspector General	1.2	1.4	1.4	1.4
O&M, DW - Executive Office of the President	0.2	0.2	0.2	0.2
O&M, DW - Marine Corps	82.7	69.3	62.6	56.6
O&M, DW - National Defense University	0.4	0.5	0.3	0.2
O&M, DW - National Geospatial Agency	2.6	2.0	2.4	2.3
O&M, DW - National Security Agency	1.8	1.2	1.3	1.3
O&M, DW - Office of the Joint Chiefs	1.3	1.2	1.2	1.2
O&M, DW - Washington, Headquarters Services	13.1	23.7	23.1	22.2
DOT - Coast Guard	0.1	0.1	0.1	0.1
O&M, Air Force	283.8	230.4	276.7	253.3
O&M, Army	579.3	598.2	566.1	521.2
O&M, Defense Logistics Agency	1.9	10.2	9.9	8.8
O&M, Navy	231.9	223.9	232.8	223.5
O&M, Navy Reserve	3.5	3.9	2.7	2.5
O&M, Office of Economic Adjustment	0.3	0.4	0.4	0.3
RDT&E, DW - Armed Forces Radiation Research Institute	0.0	0.0	0.0	0.0
RDT&E, DW - Defense Advance Research Projects Agency	1.9	2.4	2.2	2.2
RDT&E, DW - Missile Defense Agency	2.8	4.4	2.8	2.8
RDT&E, DW - SDA White Sands	0.1	0.2	0.2	0.2
RDT&E, Navy	2.9	2.9	3.1	3.1
Business Transformation Agency	0.0	1.8	1.8	1.8
Defense Agencies (Other)	1.4	0.5	0.5	0.3
b. Orders from Other Fund Activity groups				
PFFA, Pentagon Force Protection Agency	0.2	0.2	0.2	0.2
WCF, Air Force	17.0	34.7	17.2	16.0
WCF, Army	36.0	21.1	26.2	24.5
WCF, C - Defense Commissary Agency	19.6	20.8	20.4	20.2
WCF, DW - Defense Logistics Agency	6.2	6.7	6.2	6.1
WCF, DW - Defense Security Service	0.1	0.0	0.0	0.0
WCF, DW - DFAS Financial Operations	14.4	33.7	19.1	17.4
WCF, DW - DLA Defense Distribution Center	4.8	5.0	5.1	5.1
WCF, DW - DLA Defense National Stockpile Center	1.4	0.0	0.0	0.0
WCF, DW - DLA Reutilization and Marketing Service	2.7	3.2	3.3	3.1

Fiscal Year (FY) 2008-2009 Budget Estimates
Sources of Revenue
Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 2007
(Dollars in Millions)

	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
WCF, DW - DLA Supply Management	53.2	52.0	50.6	49.4
WCF, DW - Document Automation and Production Service	5.0	6.1	5.3	5.3
WCF, DW - Military Housing Privatization Initiative	0.4	0.4	0.4	0.4
WCF, DW - United States Soldier's and Airmen's Home	0.0	0.0	4.2	2.6
WCF, DW - USTRANSCOM	9.5	9.6	6.4	6.1
WCF, DW - WHS, Building Maintenance Fund	0.1	0.1	0.1	0.1
WCF, DW - WHS, Pentagon Rervation Maintenance Revolving Fund	1.2	0.2	0.2	0.2
WCF, Navy - Air Warfare Center	5.2	2.9	3.4	2.9
WCF, Navy - Base Support	11.3	15.1	10.9	10.8
WCF, Navy - Naval Aviation Depots	6.5	11.2	6.5	6.6
WCF, Navy - Navy Research Laboratory	0.7	0.8	0.8	0.7
WCF, Navy - Shipyards	2.9	0.0	0.0	0.0
WCF, Navy - Space and Naval Warfare Systems Command	5.1	4.7	5.2	5.0
WCF, Navy - Supply Management	7.3	8.1	6.6	6.4
WCF, Navy - Surface Warfare Center	12.5	12.5	12.2	12.0
WCF, Navy - Undersea Warfare Center	2.7	2.7	3.4	3.5
c. Total DoD:				
d. Other Orders				
Other - Foreign Military Sales - Defense Security Cooperation Agency	52.5	29.6	26.6	26.8
Other - Non-DoD Agencies	42.5	53.4	47.8	66.0
Total New Orders	1628.5	1628.5	1563.5	1485.3

Fiscal Year (FY) 2008-2009 Budget Estimates
Sources of Revenue
Defense Finance and Accounting Service
Business Area: Information Services
Date: February 2007
(Dollars in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders				
a. Orders From DoD Components:				
O&M, Air Force	8.2	0.0	0.0	0.0
O&M, Navy	7.6	2.6	0.0	0.0
O&M, DW - Marine Corps	24.1	8.0	0.0	0.0
O&M, DLA and DoD Agencies	2.2	1.6	0.0	0.0
b. Orders From Other Fund Business Areas:				
WCF, DW - DFAS Financial Operations	125.2	18.5	0.0	0.0
WCF, DW - DLA and DoD Agencies	0.0	0.0		
WCF, Army	0.6	0.0		
WCF, Air Force	0.0	2.1	0.0	0.0
WCF, Navy	3.3	0.0		
c. Total DoD:	171.4	32.8	0.0	0.0
d. Other Orders:	3.6	.3	0.0	0.0
 Total New Orders	 175.0	 33.1	 0.0	 0.0
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders:	175.0	33.1	0.0	0.0
4. Revenue (-)	175.0	33.1	0.0	0.0
5. End of Year Work-in-Process (-)	0.0	0.0	0.0	0.0
6. Direct Contract Obligations (-)	0.0	0.0	0.0	0.0
7. Non-DoD, BRAC, FMS and DWCF Orders (-)	0.0	0.0	0.0	0.0
8. Funded Carry-Over	0.0	0.0	0.0	0.0
9. Months of Carryover	0.0	0.0	0.0	0.0

Significant decrease to 5F FY07 figures due to merger.

Fiscal Year (FY) 2008 - 2009 Budget Estimates
Revenue and Expenses
Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 2007
(Dollars in Millions)

	FY 2006	FY2007	FY2008	FY2009
Revenue				
Gross Sales				
Operations	1,479.6	1,524.6	1,478.2	1,411.1
Capital Surcharge				
Depreciation except Major Construction	148.9	103.9	85.3	74.2
Major Construction Depreciation				
Other Income				
Refunds/Discounts (-)				
Total Income:	1,628.5	1,628.5	1,563.5	1,485.3
Expenses				
Cost of Material Sold from Inventory				
Salaries and Wages:				
Military Personnel Compensation & Benefits	13.7	9.9	11.6	11.9
Civilian Personnel Compensation & Benefits	861.6	907.2	849.7	798.7
Travel & Transportation of Personnel	15.1	19.6	16.3	16.7
Materials & Supplies (Internal Operations)	10.4	8.1	8.6	8.7
Equipment	1.2	4.0	2.6	1.9
Other Purchases from Revolving Funds	229.2	146.5	141.9	138.3
Transportation of Things	0.9	1.2	0.9	1.1
Depreciation - Capital	148.9	103.9	85.3	74.2
Printing and Reproduction	8.2	10.5	10.0	10.0
Advisory and Assistance Services	5.3	2.9	0.8	0.8
Rent, Communications, Utilities, & Misc. Charges	63.4	66.1	55.8	51.7
Other Purchased Services	213.3	321.6	315.1	302.9
FY 2006 Writeoffs and Losses	71.8			
Total Expenses	1,643.1	1,601.5	1,498.6	1,416.8
Operating Result	-14.6	27.0	64.9	68.5
Less Capital Surcharge Reservation			63.3	63.3
Plus Appropriations Affecting NOR/AOR				
Other Changes Affecting NOR/AOR *				
Net Operating Result	-14.6	27.0	1.6	5.2
PY AOR	154.0	78.1	0.0	1.6
Accumulated Operating Results (Non Recoverable)	-61.3	-105.1		
Accumulated Operating Results	78.1	0.0	1.6	6.8

Fiscal Year (FY) 2008 - 2009 Budget Estimates
Revenue and Expenses
Defense Finance and Accounting Service
Business Area: Information Services
Date: February 2007
(Dollars in Millions)

	FY 2006	FY2007	FY2008	FY2009
Revenue				
Gross Sales				
Operations	173.7	33.1	0.0	0.0
Capital Surcharge				
Depreciation except Major Construction	1.3	0.0	0.0	0.0
Major Construction Depreciation				
Other Income				
Refunds/Discounts (-)				
Total Income:	175.0	33.1	0.0	0.0
Expenses				
Cost of Material Sold from Inventory				
Salaries and Wages:				
Military Personnel Compensation & Benefits	0.6	0.0	0.0	0.0
Civilian Personnel Compensation & Benefits	91.4	21.5	0.0	0.0
Travel & Transportation of Personnel	0.9	0.7	0.0	0.0
Materials & Supplies (Internal Operations)	0.6	0.3	0.0	0.0
Equipment	0.8	0.0	0.0	0.0
Other Purchases from Revolving Funds	4.6	1.4	0.0	0.0
Transportation of Things	0.0	0.0	0.0	0.0
Depreciation - Capital	1.3	0.0	0.0	0.0
Printing and Reproduction	0.2	0.0	0.0	0.0
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Communications, Utilities, & Misc. Charges	3.2	0.3	0.0	0.0
Other Purchased Services	65.9	10.4	0.0	0.0
FY 2006 Writeoffs and Losses	0.0			
Total Expenses	169.5	34.7	0.0	0.0
Operating Result	5.4	-1.6	0.0	0.0
Less Capital Surcharge Reservation				
Plus Appropriations Affecting NOR/AOR				
Other Changes Affecting NOR/AOR *				
Net Operating Result	5.4	-1.6	0.0	0.0
PY AOR	13.4	18.8	0.0	0.0
Accumulated Operating Results (Non Recoverable)	0.0	-17.2	0.0	0.0
Accumulated Operating Results	18.8	0.0	0.0	0.0

DEPARTMENT OF DEFENSE DEFENSE INFORMATION SYSTEMS AGENCY

Defense Working Capital Fund (DWCF) Defense Computing Services

FISCAL YEAR 2008/2009 BUDGET ESTIMATES

The Defense Information Systems Agency (DISA) Defense Working Capital Fund (DWCF) Computing Services business area and the operations of the Defense Enterprise Computing Centers (DECCs) provide mainframe and server processing operations, production support, technical services, and end-user assistance for command and control, combat support, and eBusiness functions across the DoD.

Within the continental United States the computing centers at Mechanicsburg, PA, Montgomery, AL, Oklahoma City, OK, and Ogden, UT, are configured as Systems Management Centers (SMCs). Centers at Columbus, OH and San Antonio, TX are configured as Infrastructure Service Centers, and those at Chambersburg, PA, Dayton, OH, Denver, CO, Huntsville, AL, Jacksonville, FL, Norfolk, VA, Rock Island, IL, San Diego, CA, St. Louis, MO, and Warner Robins, GA, are configured as smaller, remotely-managed Processing Elements. Overseas there are two DECCs (SMCs), one in Europe and one in Hawaii. The DECCs rely on highly skilled and experienced teams of government and contractor personnel to manage hardware and software encompassing a broad spectrum of computing, storage, and communications technologies. The facilities have been designed and are managed to provide a secure, available, disciplined, and interoperable environment for both classified and unclassified processing under military control. As an integral component of the Global Information Grid (GIG), Defense Computing Services provides global reachback, end-to-end control, defensive information operations, and operational sensitivity. Further, the Global Combat Support System provides commanders with web-based access to selected Service and Agency authoritative/preferred logistics and transportation databases, which avoids the need to lift and support a considerable IT infrastructure to the theater of operations.

DISA's computing operations are integral components of the Global Information Grid. DISA Computing Services provides information processing for the entire gamut of combat support functions, to include transportation, logistics, maintenance, munitions, engineering, acquisition, finance, medical, and military personnel readiness. The applications hosted on Computing Services' mainframes and servers enable the armed forces and agencies to:

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

Applications are developed by Services' and Agencies' central design activities. Using the global reachback provided by Defense Information System Network (DISN), a joint task force can plug into this common computing infrastructure and be assured of receiving fully interoperable support. Through Global Command and Control Systems (GCCS), Global Combat Support System (GCSS), and a common communications and computing infrastructure, Computing Services provides the joint warfighter with a single end-to-end capability to manage and monitor units, personnel, and equipment from mobilization through deployment, employment, sustainment, redeployment, and demobilization.

Computing Services' computing facilities continue to be highly accessible and secure data processing centers with dual high-capacity DISN and organic defense-in-depth, resulting in a more secure and robust computing infrastructure upon which to build. They feature automated systems management to control computing resources and to gain economies of scale. Additionally, Computing Services has aggressively pursued an "assured computing" capability, designed to ensure that information and mission-critical applications are continuously available for customers.

Computing Services currently manages its Defense-Wide Working Capital Fund business area using three lines of business: IBM mainframes, Unisys mainframes, and Servers. A Storage line of business and associated stabilized rate structure is proposed for FY 2008 and beyond. More details on the new storage rate are provided below. This budget request reflects several new initiatives, as discussed below:

Stabilized Rates. Prior to FY 2007, mainframe computer customers were billed based on fixed stabilized rates and customers could plan their annual bills. On the other hand, server customers were charged on a cost reimbursable basis and their annual bills were often unpredictable. The FY 2007 President's Budget, introduced stabilized billing rates for server operations to be implemented in FY 2007 to tie costs to workload, increase cost transparency and improve customer resource management capabilities. Now in this FY 2008/2009 Budget Estimates, Computing Services proposes continuing expansion of stabilized rates by price structure for information storage customers. The fixed rates will recover both direct and overhead costs.

Storage Rates. Storage systems are where DoD's highly valued information repositories are held and protected. Both mission and regulatory requirements are accelerating the demand for increased storage capacity and capability. Beginning in FY 2008, Computing Services proposes establishing a Storage Line of Business (LOB) in recognition of these fact-of-life changes and the continued data-centric focus within the Department. Implementation of the new rate structure recognizes the increasing importance that storage and its supporting infrastructure plays in developing and implementing information technology solutions.

The proposed rate structure is based on capacity and an associated level of service. Capacity will be measured in terms of raw amount of storage required to provide a specified amount of application useable primary storage capacity. Billing customers for storage based on stabilized rates will encourage them to manage storage requirements more efficiently. Computing Services already has a well-established and effective storage rate structures for its mainframe environment. The establishment of the new Storage LOB combines these existing cost structures with a newly established storage rate for the server environment to fully cover the storage workload under a stabilized pricing structure.

Capacity-on-Demand Services. This budget reflects use of capacity-on-demand service contracts to fulfill technical refresh and new or enhanced program requirements. Under this

concept, Computing Services establishes partnerships with private industry to expeditiously provide the hardware and software capacity required to meet the customer's needs. Once delivered and installed, Computing Services manages, operates, and controls these sensitive data environments as required to support the customer within a military-controlled environment. This approach allows Computing Services to take advantage of market efficiencies and flexibility and to minimize costly investment in fixed capital assets. Computing Services' dynamic workload is easily adaptable to this method of leveraging new technologies, especially for new customer workload that emerges during the execution year. Prior to FY 2007, this approach was used principally for Unisys mainframe processing / storage equipment needs. Beginning in FY 2007, Computing Services has expanded its use of this approach by entering into a new capacity-on-demand service contract in the 4th quarter of FY 2006. This contract has a base period of five (5) years with three (3) one-year renewal option years and utilizes four (4) vendors, providing capacity-on-demand for all processing and storage requirements.

Business Transformation Agency (BTA) Workload. DoD has instituted a new paradigm for business management information systems. Computing Services will support these initiatives by ensuring approved systems are effectively hosted/run on up-to-date computing technologies. Beginning in FY 2007, Computing Services is entering into business-like agreements with BTA to host critical applications such as Electronic Commerce, including applications such as Wide Area Workflow, Electronic Document Access, Global Exchange Services, Operational Support Teams and Federal Technical Data Solutions. Additional hosting for programs include: Defense Integrated Military Human Resources System (DIMHRS), and Capitalized Assets Management System (CAMS-ME). In the near future, Computing Services will partner with BTA in transitioning the application hosting to DISA for Defense Cash Accountability System, Business Enterprise Information Services, and the Defense Property Accountability System based on a BTA-supported schedule.

FISCAL YEAR 2008 and 2009 OPERATING BUDGET

(\$ in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Revenue	\$632.4	\$644.2	\$684.7	\$713.1
Cost	\$661.4	\$672.1	\$693.3	\$713.1
Net Operating Results	(\$29.0)	(\$27.9)	(\$8.5)	\$0
Other Adjustments	\$0	\$0	\$0	\$0
Prior Year AOR	\$65.4	\$36.4	\$8.5	\$0
Ending AOR	\$36.4	\$8.52	\$0	\$0

Established in 1992, DISA's DWCF Computing Services has achieved excellent success in continuously reducing the costs of data processing through a series of workload consolidations, technology insertions, and management restructuring. Continuing with past efforts, this budget submission demonstrates Computing Services' ability to hold its FY 2006-2008 operating costs flat (excluding inflation), while still providing for technical refreshment of aged, depleted processing and storage assets. Computing Services is dedicated to matching and exceeding commercial practice standards for operational support to its customers. Computing Services has dedicated customer operational support teams, application teams, and database support personnel within each Systems Management Center to meet the customer's changing needs, either the 24x7 or on-call basis. Computing Services ensures the correct skill set is available, utilizing a combination of civilians and contractors, to meet emerging requirements from its customers.

MAJOR CHANGES BETWEEN FISCAL YEAR ESTIMATES

In this budget request, inflation is the primary cause for variation in total cost of operations between fiscal years.

FY 2007 President's Budget Submission to FY 2007 Current Estimate

Cost of operations decreased by \$52.9 million, or 7.3 percent, from the \$725.0 million approved in the FY 2007 President's Budget to a new total of \$672.1 million in the current estimate. There are several reasons for this decline. The FY 2007 President's Budget included new workload that did not materialize due to changes in customers' requirements. Computing Services has reduced its labor, material and supplies, and processing costs to reflect the new customer-driven workload levels in the following areas: 1) DISA's Net-Centric Enterprise Services (\$16.1 million); 2) Defense Logistic Agency's (DLA) Business Systems Modernization (\$18.0 million); 3) Air Force's Air Combat Command and Control email consolidation (\$4.1 million). Other reductions include reduced depreciation cost (\$21.5 million) due to decreased capital investment requirements associated with the implementation of capacity-on-demand services and the postponement of the allocation of DISA's shared headquarters costs until FY 2008, to ensure appropriate resource realignment to the customers. These decreases are offset by a \$17.9 million increase in contract support. Additional contract support is being utilized in lieu of more civilian billets than was originally programmed in the FY 2007 President's Budget. Contract support allows the business area to leverage industry information technology skills and experience on a scalable basis to meet changing customer requirements and post-transformation fluctuations.

FY 2007 Current Estimate to FY 2008 Current Estimate

Costs of operations are currently projected to increase modestly from FY 2007 to FY 2008 by a total of \$21.2 million or 3.2 percent. The increase reflects labor and non-labor price growth, \$15.2 million, as well as \$5.1 million in additional processing and maintenance costs associated with the implementation of DLA's Business Systems Modernization program. Also in FY 2008, costs will reflect a share of headquarters costs to ensure full cost reimbursement and recovery. The business area's share is \$13.3 million. Depreciation costs begin to decrease in FY 2008 by \$8.9 million as new capital investments decline due to use of capacity-on-demand service contracts.

FY 2008 Current Estimate to FY 2009 Current Estimate

In FY 2009, costs are projected to remain relatively flat except for approved price growth. The labor and non-labor price growth accounts for \$14.9 million of the total increase of \$19.9 million. The remainder of the increase is attributable to an increase of \$19.5 million for the flexible capacity-on-demand services acquisition, offset by the continuing decrease in depreciation expenses of \$14.6 million as Computing Services capital investment declines.

CAPITAL INVESTMENT PROGRAM

(\$ in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Program Authority	\$92.7	\$39.3	\$33.6	\$32.3

DISA Computing Services' Capital Program includes estimates to support the purchase of hardware and software for the IBM, Server, and Storage lines of business, as well as non-ADP

equipment supporting the Computing Centers' infrastructure. The capital program in FY 2008 and FY 2009 is targeted primarily to support Computing Center infrastructure equipment replacement projects and facilities improvements. Computing Services' goal is to meet all funded customer requirements. However, the mechanism for meeting dynamic customer requirements is changing from direct capital investment to the use of capacity-on-demand services support. The result is a significant decrease in the FY 2007 – FY 2009 capital program. The major decline from approved \$92.7 million in FY 2006 to \$32.3 million in FY 2009 reflects the change this scalable approach provides to leverage private sector technologies to meet customer needs.

FY 2007 President's Capital Budget Submission to FY 2007 Current Estimate

The FY 2007 President's Budget included capital requirements of \$65.7 million. The current estimate of \$39.3 million reflects a \$26.4 million reduction in total dollars from the President's Budget submission. This decrease in capital is directly attributed to the projected use of capacity-on-demand services contracting vehicles. The revised Computing Services' technical refreshment plan reduces capital requirements by \$34.5 million that were previously programmed for IBM, Server, and Storage technical refreshment investments. An increase for facilities and plant equipment cyclical replacement for the System Management Centers offsets a portion of the decrease.

FY 2007 Current Estimate to FY 2008 Current Estimate

The FY 2008 Computing Services capital budget current estimate is \$33.6 million. This reflects a \$5.7 million reduction from the FY 2007 estimate. The decrease is driven by a reduction in technical refreshment requirements due to use of the capacity-on-demand services contract approach. This reduction continues the approach started in FY 2007 to move from a direct capital investment program to a contract services solution in order to meet hardware requirements driven by changing customer workload.

FY 2008 Current Estimate to FY 2009 Current Estimate

The FY 2009 Computing Services capital budget decreases by \$1.3 million from the FY 2008 level to a total request of \$32.3 million. The budget request supports facilities improvements and plant equipment upgrades needed at the aging System Management Centers.

CASH MANAGEMENT

Estimated Net Outlays and Cash Balance (\$ in Millions)

	Comp Svcs	TSEAS	Total
FY 2006 Actual Cash Balance	\$338.6	\$583.7	\$922.3
FY 2007 Net Outlays	\$154.1	\$252.1	\$406.2
FY 2007 Cash Balance	\$184.5	\$331.6	\$516.1
FY 2008 Net Outlays	\$19.0	\$97.2	\$116.2
FY 2008 Cash Balance	\$165.5	\$234.4	\$399.9
FY 2009 Net Outlays	\$3.0	\$48.8	\$51.8
FY 2009 Cash Balance	\$162.5	\$185.6	\$348.1

Note: FY 2006 balance includes unearned revenue totaling \$227.9 million.

The combined DISA DWCF cash balance at the end of FY 2006 was \$922.3 million, which includes \$227.9 million of advance billings posted in August 2006. These new advance billings were undertaken at the direction of the DoD Comptroller to ensure sufficient Defense-Wide Working Capital Fund liquidity for FY 2006.

The DISA DWCF cash balance is expected to decline by \$406 million during FY 2007, to a new balance of \$516 million. This decrease is due to liquidation (via earnings) of the advance billings done in FY 2006, along with operating losses, as prior year AOR profits are returned to customers via reduced rates. Another factor in the cash decline is the continuing capital expenditure for prior-year DISN investments without the cash income from depreciation. DISN (subscription services) depreciation was removed from rates beginning in FY 2006. It should also be noted that DISA intends to post a zero-sum cash transfer of \$120 million in FY 2007, as proposed in the FY 2007 President's Budget. A total of \$120 million will be moved from Computing Services to TS/EAS, reversing the transfer done in FY 2005.

During FY 2008 cash will decline further by \$116.2 million, to a balance of about \$400 million, driven by AOR return and by final DISN capital outlays. The transfer into the DWCF of the Defense Information Technology Contracting Organization National Capital Region (DITCO NCR) has been included in the cash projection, providing a slight cash increase. During FY 2009 cash will decline about \$52 million principally due to return of prior year profits in the FY 2009 fee-for-service rate for acquisition services. Ongoing financial remediation efforts may impact future cash levels and will be closely monitored.

PERFORMANCE MEASURES

DISA Computing Services tracks its performance and results through Corporate Board Reviews, Internal Performance Reviews (IPRs), Balanced Scorecard results, and annual customer surveys. The Balanced Scorecard for Computing Services specifically reviews performance metrics, financial stability, and significant event milestones. The Defense Computing Services budget includes performance measures that revolve around system availability and responsiveness:

- DISA will maintain the minimum capacity needed to meet funded customer workload
- All peak workload requirements will be met while maintaining an average utilization of installed IBM capacity of at least 70%
- Users will experience IBM and Unisys platform availability of at least 98%

Other selected Computing Service performance measurement goals are as follows:

Standard Service Level Objectives

Computing Services shall make a good faith effort to meet or exceed the operational goals shown below. Circumstances beyond Computing Services' control (e.g. power outages, natural disasters, inefficient application software releases, customer's local communications problems, etc.) are excluded. Computing Services will take prompt corrective action when these objectives are not being met.

Higher Service Level Objectives

Service Level Objectives defined are based on Full-Cost Recovery. Computing Services will furnish higher service level objectives, usually at an additional charge to the customer, if

mutually agreed to by Computing Services and the customer. The Support Agreement between Computing Services and the customer will list higher service level objectives as negotiated.

Normal Processing Schedules

Interactive and Batch processing normally occurs 24x7 except for preventative maintenance cycles, or as stated in the Support Agreement, or where customer requirements preclude 24x7 operations (back-ups). Computing Services is responsible for workload processing and will negotiate the actual schedules. Exceptions to normal processing schedules must be provided to Computing Services no later than 72 hours in advance of the requirement. Computing Services will make every effort to notify the customer 72 hours prior to a scheduled interruption. Computing Services may honor late requests on a case-by-case basis.

SERVICE OBJECTIVE	OPERATIONAL GOAL	SERVICE DESCRIPTION
Interactive Availability	98.5% availability	Portion of network/system controlled by Computing Services available to the customer during the interactive window.
Batch Throughput	95% or better completion rate and delivery	Completion rate and delivery by specified time during the batch window specified in the SA. Customer initiated batch-processing outside the batch window will be processed as resources permit.
Job Failure Notification	within 30 minutes	During normal working hours. Notification will be made after duty hours as requested by the customer.
Data Retrieval Services:	15 minutes 4 hours 36 hours	Tape, on site (mount) Tape, off site (local) Tape, off site (backup-site)

RATES

The Computing Services budget has two basic methods of cost recovery: stabilized fixed rate and direct reimbursement. Rates are formulated to recover the total cost of operations, including direct and overhead costs, and to achieve zero gains/losses over time. In FY 2008, IBM mainframe rates are decreased by \$8.5 million to return prior year operating gains. This rate adjustment will bring Computing Services to a zero Accumulated Operating balance by the end of FY 2008.

Server Rates. Computing Services introduced a new FY 2007 stabilized composite rate for server operations in the FY 2007 President's Budget submission. The stabilized composite server rates are composed of direct and overhead costs. The pricing structure uses "operating environments" as the unit of measure. An operating environment equates to an instance of the operating system (typically a server, either UNIX or Windows). The Windows operating environment categories consist of small servers (one or two Central Processing Unit (CPUs)), large servers (three or four CPUs), and enterprise servers (greater than four CPUs). The UNIX

operating environment categories consist of small (one or two CPUs), medium (three or four CPUs), large (five to eight CPUs), and enterprise (greater than eight CPUs). All server customers will be charged for basic services (system administration, security, standard operating environment, level-1 operational support team support, systems monitoring, and network infrastructure). In addition to basic service, customers may purchase various optional supplemental services (application support, database administration, storage, and classified processing) and will be billed based on separately devised rates.

Consistent with Computing Services' strategy to virtualize processing environments wherever practicable, a new rate level will be added in FY 2008, called "Mini." Customers with Windows-based server requirements that can be satisfied with less than or equal to 1 (one) CPU will benefit from a reduced charge for the Hardware Services and Database Software categories. All of the other additional services for mini will share the same rate contained in the "Small" category.

In addition, beginning in FY 2008, Computing Services proposes to add technical service rates for 24x7 system administration, database administration, and application support. As part of the basic service for any application, Computing Services provides 24x7 on-site support for customer workload via an Operation Support Team (OST). Technical staff for higher level troubleshooting or support will either be on-site (during normal workday) or "on call" if outside the designated 8x5 shift. In the event that an application requires the physical presence of additional technical staff around-the-clock (for systems administration, database, and/or application support), new technical services rates have been developed to accommodate these requirements. These rates are additive to the 8x5 rates for database administration and application support and are additive to the system administration support that is included within the basic services rate. Additional 24x7 support equates to 21 shifts per week versus the five shifts per week for 8x5 support.

Storage Rates. As discussed above, a major objective of Computing Services has been to establish a new and separate Storage line of business and associated pricing structure. This line of business has developed a menu of storage services and an associated rate structure for those services. Storage services over the past several years have emerged as a growing and significant component of any solution Computing Services proposes to a customer. Furthermore, Computing Services has also received an increasing number of requests from customers for solutions in which storage services is the *only* component of the solution. It is these changing requirements that have transformed storage services into a separate information technology architecture level on par with communication and processing services. The storage platform rates are proposed to go into effect beginning in FY 2008.

Other Rates. In FY 2008 Computing Services is proposing to bill for Universal Resource Locator (URL) and Hosting Application Design Services utilizing a rate methodology. The URL rate is a connection fee for external users accessing Service/Agency applications or platforms within DISA. Customers currently pay for this service on a cost-reimbursable basis. Use of a rate will stabilize costs and allow the customers to plan for charges in advance. Hosting Application Design Services are proposed to be billed by direct labor hour rates. This rate will include the costs associated with customized systems engineering design services for customer proposal development associated with the entire spectrum of application hosting, communications infrastructure and facilities requirements. This rate is intended to shift the costs of customized proposal development to the benefiting customer instead of the cost being applied to all customers as an overhead charge.

FY 2007 - FY 2009 Mainframe, Storage, and Other Services Rates

IBM Mainframe Rates	FY2007	FY2008	FY2009
CPU Hours	\$ 16.7701	\$ 15.6343	\$14.7988
I/O EXCPS	\$ 0.0219	\$ 0.0247	\$ 0.0229
DASD	\$ 0.0010	-	-
TAPE MB DAYS	\$ 0.0002	-	-
IBM ASSURED COMPUTING	\$ 0.0015	-	-

UNISYS Mainframe Rates	FY2007	FY2008	FY2009
SUPS UNISYS	\$ 11.9078	\$ 14.2317	\$13.8784
DASD UNISYS	\$ 0.0226	\$ 0.0311	\$ 0.0303
TAPE STORAGE (MB/Days)	\$ 0.0016	\$ 0.0030	\$ 0.0029

STORAGE	FY2007	FY2008	FY2009
IBM DASD	-	\$ 0.0013	\$ 0.0013
IBM TAPE MB DAYS	-	\$ 0.0004	\$ 0.0004
SERVER BASIC LOCAL (GB/Days)	-	\$ 3.3617	\$ 3.2048
SERVER BASIC REMOTE (GB/Days)	-	\$ 0.3122	\$ 0.3186
SERVER OPERATIONAL LOCAL (GB/Days)	-	\$ 0.8404	\$ 0.8012
SERVER OPERATIONAL REMOTE (GB/Days)	-	\$ 2.5212	\$ 2.4036
SERVER HIGH AVAILABILITY LOCAL (GB/Days)	-	\$ 1.5127	\$ 1.4422
SERVER HIGH AVAILABILITY REMOTE (GB/Days)	-	\$ 3.0255	\$ 2.8843
SERVER NON-DISRUPTIVE LOCAL (GB/Days)	-	\$ 2.3532	\$ 2.2434
SERVER NON-DISRUPTIVE REMOTE (GB/Days)	-	\$ 4.0340	\$ 3.8458

OTHER SERVICES	FY 2007	FY 2008	FY 2009
UNIVERSAL RESOURCE LOCATOR RATE	\$3,231.10	\$3,295.72	\$3,361.64
HOSTING APPLICATION DESIGN SERVICES PER HOUR	\$203.69	\$207.76	\$211.92

FY 2007 SERVER RATES (Month)

	Small OE	Large OE	Enterprise OE
Windows Basic Rates	\$ 2,486	\$ 2,724	\$ 3,718

Additional Services

Hardware Services	\$ 482	\$ 1,721	\$ 6,884
Application Support	\$ 773	\$ 773	\$ 773
Database Administration	\$ 349	\$ 349	\$ 349
Database Software	\$ 885	\$ 2,065	\$ 3,835
Storage Services	\$ 288	\$ 1,030	\$ 4,118
Classified Services	\$ 480	\$ 533	\$ 1,334

	Small OE	Medium OE	Large OE	Enterprise OE
Unix Basic Rates	\$ 4,553	\$ 4,888	\$ 5,559	\$ 17,623

Additional Services

	Small OE	Medium OE	Large OE	Enterprise OE
Hardware Services	\$ 1,742	\$ 3,484	\$ 6,967	\$ 51,577
Application Support	\$ 1,957	\$ 1,957	\$ 1,957	\$ 1,957
Database Administration	\$ 679	\$ 679	\$ 679	\$ 679
Database Software	\$ 896	\$ 2,090	\$ 3,882	\$ 7,167
Storage Services	\$ 1,042	\$ 2,084	\$ 4,168	\$ 30,857
Classified Services	\$ 486	\$ 540	\$ 675	\$ 1,350

FY 2008 SERVER RATES (Month)

	Mini OE	Small OE	Large OE	Enterprise OE
Windows Basic Rates	\$ 1,867	\$ 1,867	\$ 2,066	\$ 2,181

Additional Services

	Mini OE	Small OE	Large OE	Enterprise OE
Hardware Services	\$ 285	\$ 720	\$ 3,973	\$ 6,573
Application Support	\$ 1,267	\$ 1,267	\$ 1,267	\$ 1,267
Database Administration	\$ 1,359	\$ 1,359	\$ 1,359	\$ 1,359
Database Software	\$ 443	\$ 885	\$ 2,065	\$ 3,835
24X7 System Administrator	\$ 3,913	\$ 3,913	\$ 3,913	\$ 3,913
24X7 Application Support	\$ 5,549	\$ 5,549	\$ 5,549	\$ 5,549
24X7 Database Administration	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370

	Mini OE	Small OE	Large OE	Enterprise OE
Unix Basic Rates	\$ 2,626	\$ 3,226	\$ 4,148	\$ 8,054

Additional Services

	Mini OE	Small OE	Large OE	Enterprise OE
Hardware Services	\$ 4,936	\$ 7,695	\$ 10,116	\$ 16,337
Application Support	\$ 2,865	\$ 2,865	\$ 2,865	\$ 2,865
Database Administration	\$ 7,161	\$ 7,161	\$ 7,161	\$ 7,161
Database Software	\$ 2,588	\$ 6,752	\$ 10,637	\$ 12,891
24X7 System Administrator	\$ 5,365	\$ 5,365	\$ 5,365	\$ 5,365
24X7 Application Support	\$ 7,607	\$ 7,607	\$ 7,607	\$ 7,607
24X7 Database Administration	\$ 1,878	\$ 1,878	\$ 1,878	\$ 1,878

FY 2009 SERVER RATES (Month)

	Mini OE	Small OE	Large OE	Enterprise OE
Windows Basic Rates	\$ 2,104	\$ 2,104	\$ 2,298	\$ 2,444

Additional Services

	Mini OE	Small OE	Large OE	Enterprise OE
Hardware Services	\$ 274	\$ 675	\$ 2,045	\$ 3,557
Application Support	\$ 1,418	\$ 1,418	\$ 1,418	\$ 1,418
Database Administration	\$ 1,521	\$ 1,521	\$ 1,521	\$ 1,521
Database Software	\$ 443	\$ 885	\$ 2,065	\$ 3,835
24X7 System Administrator	\$ 3,991	\$ 3,991	\$ 3,991	\$ 3,991
24X7 Application Support	\$ 5,659	\$ 5,659	\$ 5,659	\$ 5,659
24X7 Database Administration	\$ 1,397	\$ 1,397	\$ 1,397	\$ 1,397

	Small OE	Medium OE	Large OE	Enterprise OE
Unix Basic Rates	\$ 2,671	\$ 3,281	\$ 4,218	\$ 8,190

Additional Services

	Small OE	Medium OE	Large OE	Enterprise OE
Hardware Services	\$ 4,479	\$ 6,987	\$ 8,565	\$ 14,945
Application Support	\$ 2,998	\$ 2,998	\$ 2,998	\$ 2,998
Database Administration	\$ 7,472	\$ 7,472	\$ 7,472	\$ 7,472
Database Software	\$ 2,573	\$ 6,728	\$ 10,590	\$ 12,862
24X7 System Administrator	\$ 5,472	\$ 5,472	\$ 5,472	\$ 5,472
24X7 Application Support	\$ 7,759	\$ 7,759	\$ 7,759	\$ 7,759
24X7 Database Administration	\$ 1,916	\$ 1,916	\$ 1,916	\$ 1,916

CIVILIAN PERSONNEL

(\$ in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Civilian End-Strength	1,546	1,622	1,577	1,577
Civilian Full Time Equivalent	1,515	1,586	1,543	1,543
Civilian Labor Cost	\$149.2	\$160.8	\$163.4	\$165.9

Over the past twelve years, DISA Computing Services has achieved significant personnel reductions through various management initiatives. Computing Services is estimating end strength reductions of approximately 84% or 8,075 from the baseline period of FY 1992 to FY 2008, reducing end strength from 9,652 to a projected 1,577. This decrease reflects a compelling example of organizational rightsizing and effective leveraging of technology.

In this FY 2008/2009 Budget Estimate, the FY 2007 Full Time Equivalent (FTE) estimate is 113 lower and the associated end strength estimate is 135 lower than approved in the FY 2007

President's Budget. Estimated increases in FY 2007 customer workload, which did not fully materialize, reduced personnel requirements for the following customers: DISA Global Combat and Command System (24), Army workload (16), Air Force Air Combat Command (16), DISANet-Centric Enterprise Services (31), and DLA Business Systems Modernization (6). Workyears increase by 71 from FY 2006 to FY 2007 as hiring restriction measures to cut costs tied to reduced workload levels are moderated in light of stabilizing workload, and contractor support is shifted to civilian personnel at SMC Montgomery to meet appropriate contractor/civilian labor ratios, thereby reducing costs and meeting operational requirements.

In FY 2008, the effect of using capacity-on-demand contracts will be a reduced requirement for government personnel. Computing Services estimates reduced end strength by 45 to 1,577 and FTEs by 43 to 1,543 from FY 2007 levels. FY 2009 end strength and FTEs are projected to remain at the FY 2008 levels.

MILITARY PERSONNEL

(\$ in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Military End Strength	4	4	4	4
Military FTEs	4	4	4	4
Military Labor Cost	\$.4	\$.5	\$.6	\$.6

As a result of multiple consolidation efforts, military personnel have been reduced to the level shown above.

Changes in the Cost of Operations
Component: Defense Information Systems Agency
Activity group: Computing Services
February 2007
(\$ in Millions)

FY 2006	Actual	661.4
FY 2007	Estimate in President's Budget	725.0
	<i>Pricing Adjustments:</i>	
	FY 2007 non-labor price growth greater than President's Budget	1.2
	<i>Program Changes:</i>	
	Unmaterialized Workload:	
	Net-Centric Enterprise Services (NCES)	(16.1)
	DLA's Business Systems Modernization (BSM)	(18.0)
	Air Combat Command and Control email consolidation	(4.1)
	Lower Transformation costs	(0.7)
	Depreciation expense less than anticipated due to reduced capital program execution	(21.5)
	Contractor support	17.9
	Defer initial reimbursement for allocated share of DISA Headquarters cost	(12.9)
	Miscellaneous	1.3
FY 2007	Current Estimate	672.1
	<i>Pricing Adjustments:</i>	
	Non-labor inflation	10.6
	Civilian/Military pay raise	3.7
	Annualization of Civilian/Military pay raise	0.9
	<u><i>Functional Transfer for Allocated Share of DISA Headquarters Cost</i></u>	
	Initial reimbursement by DISA DWCF business areas for shared headquarters costs from DISA O&M, Defense-Wide to Computing Services customer accounts	13.3
	<i>Program Changes:</i>	
	Customer-driven workload increase for DLA's BSM	5.1
	Tech refresh by leveraging capacity-on-demand services contracts	4.3
	Depreciation expense decreases as investment is replaced by utilization of capacity-on-demand service contracts	(8.9)
	Financial System Audit completed by DoD IG in FY 2007	(5.7)
	New standard financial system:	(1.4)
	Completion of one-time data conversion for	
	Miscellaneous	(0.7)

Changes in the Cost of Operations
Component: Defense Information Systems Agency
Activity group: Computing Services
February 2007
(\$ in Millions)

FY 2008	Estimate	693.3
	<i>Pricing Adjustments:</i>	
	Non-labor inflation	10.8
	Civilian/Military pay raise	2.8
	Annualization of Civilian/Military pay raise	1.2
	<i>Program Changes:</i>	
	Tech refresh by leveraging capacity-on-demand services contracts	19.5
	Depreciation expense decreases as investment is replaced by utilization of capacity-on-demand service contracts	(14.6)
	Increase in allocated share of DISA Headquarters cost	0.3
	Miscellaneous	(0.2)
FY 2009	Estimate	713.1

Source of New Orders and Revenue
Component: Defense Information Systems Agency
Activity Group: Computing Services
February 2007
(Dollars in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders				
a. Orders from DoD Components				
Air Force Appropriated	97.6	118.6	131.0	131.7
Army Appropriated	20.7	15.5	14.8	15.3
Navy and Marine Corps Appropriated	42.5	24.3	23.5	26.5
DISA Appropriated	55.2	46.5	52.9	54.5
Other DoD	88.7	136.7	137.4	148.1
b. Orders from Other Fund Activity Groups				
Airforce - Working Capital	72.1	79.5	79.5	79.4
Army - Working Capital	13.9	13.0	14.5	14.8
Navy - Working Capital	24.7	17.1	18.7	19.8
DISA - Working Capital	6.5	4.3	4.7	5.0
DFAS	136.8	115.4	133.1	138.3
DLA	62.4	62.9	64.6	69.6
Defensewide - Working Capital	10.0	9.5	9.7	10.1
c. Total DoD	631.2	643.4	684.3	713.1
d. Other Orders				
Other Non-Federal	0.0	0.0	0.0	0.0
Total New Orders	631.2	643.4	684.3	713.1
2. Carry In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	631.2	643.4	684.3	713.1
4. Other Income	1.2	0.8	0.4	0.0
5. Revenue (-)	632.4	644.2	684.7	713.1
6. End of Year Work in Process (-)	0.0	0.0	0.0	0.0
7. FMS, BRAC, Other Federal, and Non-Federal orders (-)	0.0	0.0	0.0	0.0
8. Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0	0.0

Revenue and Expenses
Component: Defense Information Systems Agency
Activity Group: Computing Services
February 2007
(Dollars in Millions)

	FY 2006	FY 2007	FY 2008	FY 2009
Revenue				
Gross Sales				
Operations	559.3	574.9	624.8	668.1
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation Excluding Major Construction	72.0	68.5	59.6	45.0
Major Construction Depreciation	0.0	0.0	0.0	0.0
Other Income	1.2	0.8	0.4	0.0
Refunds/Discounts(-)				
Total Income	632.4	644.2	684.7	713.1
Expenses				
Salaries and Wages:				
Military Personnel Compensation & Benefits	0.4	0.5	0.6	0.6
Civilian Personnel Compensation & Benefits	149.2	160.8	163.4	165.9
Travel & Transportation of Personnel	3.2	2.5	2.5	2.6
Materials and Supplies	21.4	11.0	10.1	10.5
Equipment	0.0	0.0	0.0	0.0
Other Purchases from Revolving Funds	30.1	32.7	32.5	33.2
Transportation of Things	0.8	1.1	1.1	1.1
Depreciation Capital	72.0	68.5	59.6	45.0
Rent, Communications, Utilities, & Misc. Charges	7.6	7.8	8.3	8.5
Printing and Reproduction	0.1	0.0	0.0	0.0
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Other Purchased Services	376.5	387.2	415.2	445.8
Total Expenses	661.4	672.1	693.3	713.1
Operating Result	(29.0)	(27.9)	(8.5)	0.0
Less Capital Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Passthroughs and Other Appropriations Affecting NOR	0.0	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0	0.0
Net Operating Result	(29.0)	(27.9)	(8.5)	0.0
Prior Year AOR	65.4	36.4	8.5	0.0
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result	36.4	8.5	0.0	0.0
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result for Budget Purpose	36.4	8.5	0.0	0.0

DEPARTMENT OF DEFENSE DEFENSE INFORMATION SYSTEMS AGENCY

Defense Working Capital Fund (DWCF) Telecommunications Services/Enterprise Acquisition Services

FISCAL YEAR 2008/2009 BUDGET ESTIMATES

The Information Services Activity Group includes the Telecommunications Services and Enterprise Acquisition Services (TS/EAS) business areas. This budget provides a summary of the Information Services Activity Group, as well as details of program objectives and resource requirements for each business area.

The primary TS/EAS mission is purchasing telecommunications and related information technology products from the worldwide commercial sector to meet DoD-wide components and authorized non-defense customers' needs. TS/EAS business area enables the department to build and sustain a critical component of the Global Information Grid (GIG) and to provide the war-fighter timely access to valid, secure, and operationally relevant information that ensures the success of military operations. The robustness of this telecommunications infrastructure has been demonstrated by DISA's repeated capability to meet terrestrial and satellite surge requirements in Southwest Asia and during disaster relief and recovery efforts. TS/EAS operations can be divided into three functional components:

- Defense Information Systems Network (DISN) Services
- Non-DISN Telecommunications Services
- Enterprise Acquisition Services

TS/EAS provide a single source for high quality, reliable, survivable, and secure telecommunications services for Defense command and control. TS/EAS is also an ideal source for procurement of best-value and commercially competitive information technology, as well as voice, data, and video services. The Enterprise Acquisition Services portion of the business area provides outstanding contract vehicles for information technology and telecommunications. Overall, TS/EAS provides the lowest possible customer price through bulk quantity purchases, economies of scale, and reengineering of current communication services.

Defense Information Systems Network (DISN) Services

The Defense Information System Network (DISN) provides the interoperable telecommunications connectivity and value-added services required to plan, implement, and support any operational missions, anytime, and anywhere. DISN is a complex program of services focused on sustainment and modernization. The DISN provides long-haul connections among the Combatant Commanders, Service and Defense Agency bases, and deployed forces. The DISN provides dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services on a fee-for-service basis. DISN subscription services are described as follows:

- **Transmission Services** provide a robust worldwide capability to transmit voice, video, data and message traffic for the Combatant Commanders, Military Departments and Defense Agencies. Transmission Services provide the information transport for other Services described below, as well as for specialized services.
- **Joint Worldwide Intelligence Communications System (JWICS)** provides comprehensive worldwide secure high-speed multimedia Top Secret/Sensitive Compartmented Information communications services for the DoD Intelligence Community and the intelligence estimates of other federal agencies.
- **Data Services** provide secure Internet protocol router network (SIPRNet) as well as non-classified Internet protocol router network (NIPRNet) capabilities.
- **Voice Services** provide day-to-day commercially competitive services plus unique secure military requirements. Voice Services includes the operation of the Defense Switched Network and Defense Red Switch Network.
- **Video Services** provide both routine and classified video teleconference capabilities for the Department of Defense and other government agencies.
- **Messaging Services** provide day-to-day organizational messaging capabilities for the DoD. The network provides Top Secret, Secret and Unclassified messaging capabilities using four regional Security Operations Centers.
- **Centralized Services** are made up of provisioning support to DISN users and operators and network management support to all programs that make up the DISN as described above.

Components of the Defense Information Systems Network

Category	Offering	Supporting Programs/Networks		
DISN Subscription	Voice Services	Defense Switched Network (DSN) Defense Red Switch Network (DRSN)		
	Data Services	Internet Protocol Routers (IPR)		
	Video Services	DISN Video Services - Global (DVS-G)		
	Transport / DISN Core		CONUS High-Speed Transmission (TRN-C) CONUS Fractional High-Speed Transmission (ATM) Promina (MUX) Caribbean Transmission (TRN-B) Pacific Transmission (TRN-P) European Transmission (TRN-E) Southwest Asia Transmission (TRN-S)	
		TS/SCI Services	Joint Worldwide Intelligence Communications System (JWICS)	
		Messaging	Defense Messaging System	
		Centralized Services		Provisioning Network Management
	Reimbursable	Voice Services	Hawaii Information Transfer System (HITS)	
		Satellite Services	Commercial Satellite Services (CSS)	
		Transport		Bosnia Kosovo
Special Programs			DISN Leading Edge Services (LES) Operations Enduring Freedom and Iraqi Freedom DoD COOP Integrated Network (DCIN)	
		Wireless	Enhanced Mobile Satellite Services (EMSS)	

DISA also provides long-haul connections between the Combatant Commands/Service/Agency, bases, and to deployed forces. DISA provides government and contract engineering, modeling, simulation and assessment, and system control resources to support the operational DISN networks. In accordance with the President's Management Agenda, Budget and Performance Integration initiative, this program has been assessed using the Program Assessment Rating Tool (PART). Remarks regarding program

performance and plans for performance improvement can be located at the Expectmore.gov website.

DISN SUBSCRIPTION SERVICES (DSS)

The Defense Information Systems Agency (DISA) has embarked on an ambitious agenda to provide secure voice, video, and data services over a global fiber optic network. Using a subscription service approach, whereby customers pay a fixed monthly charge to use these services and networks, DISA has sought to streamline the relationship between DISN and a large customer base that includes Defense, Non-Defense, and Non-Government customers.

With the DISN expansion program that was initiated after September 11, 2001, DISA has installed robust network capacity. The Indefeasible Right of Use (IRU) fiber portion of the DISN is referred to as the DISN Core, and together with the non-core sites will provide vital communications to the warfighter throughout the budget years and on into the future with the appropriate equipment technical refreshment. The DISN provides network connectivity at a projected 398 subscription sites in FY 2008, which enable customers to maximize the use of voice, video, and data services.

DISN Access Transport Service (DATS) Contract

The DATS contracts were awarded on 31 October 2006 for the four regions of the DISN within CONUS. While the DATS scope includes a wide range of circuit sizes that can be ordered, the planned and expected primary utilization of DATS is for individual connections to the DISN backbone that will be leased on a monthly basis. The transition of existing circuits from the current bridge contract to DATS is expected to take two years to complete due to the large number of circuits to be transitioned. The previous DTS-C contract that has expired contained very favorable circuit prices that are below those of DATS. As a result, this budget submission includes cost increases over the current baseline.

Joint Worldwide Intelligence Communications System (JWICS)

Included in the subscription services offering, the **Joint Worldwide Intelligence Communications System (JWICS)** provides comprehensive, worldwide secure high-speed multimedia Top Secret/Sensitive Compartmented Information (TS/SCI) communications services for the DoD Intelligence Community and the intelligence elements of other federal agencies. JWICS has evolved into a key information transfer element supporting both the Intelligence Community as well as command and control operations. It is considered the TS/SCI component of the DISN.

The Defense Intelligence Agency (DIA) is responsible for overall architecture, management, and operations of the JWICS. Under the terms of a DISA/DIA Memorandum of Agreement, certain subsystem responsibilities are performed by DISA. These responsibilities involve provisioning of the transmission circuits interconnecting users and network facilities; paying the transmission leasing and JWICS equipment maintenance costs; and other administrative and financial management of the transmission segment. This budget reflects increase of about \$20 million in annual JWICS program cost over the FY 2007 President's Budget, and is fully recovered in share prices beginning in FY 2008.

DISN Subscription Services

(\$ in millions)	FY 2007	FY 2008	FY 2009
Revenue*	\$891.8	\$900.9	\$912.0
Number of Sites	405	398	398
Number of Shares	7506	7,634	7,634
Price per share	\$115,614	\$118,012	\$119,466

* FY 2007 Revenue includes \$21.5 million from delayed FY 2006 billings.

Reimbursable DISN Programs

In addition to the Subscription Services discussed above, DISN also offers several other reimbursable telecom services to its customers. Telecommunications support in **Kosovo** and **Bosnia** will remain cost reimbursable. The same is true for selected costs associated with **Southwest Asia** contingency operations. The estimated costs of continuing telecommunications operations in Bosnia, Kosovo, and Southwest Asia are as follows. These costs support the sustainment of communications infrastructure, to include service leases, non-capital equipment purchases, and the maintenance of network management and operations staffs.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009
Bosnia	\$7.00	\$6.10	\$5.50	\$5.60
Kosovo	6.1	8.2	7.4	7.5
SWA contingency operations	47.8	57.8	57.4	57.8
Continuing Military Operations	\$60.9	\$72.1	\$70.3	\$70.9

The **Hawaii Information Transfer System** is a unique network that supports post, camp, and station customers, as well as on-island and pier-side communication services. Its successor, the **Joint HITS (JHITS)**, is a service contract that provides all voice and video services in the Hawaiian Islands. The JHITS contract was awarded in August 2006. One-time costs to build out a Network Operations Center (NOC), and alternate NOC to provide required redundancy, will be incurred over the FY 2007 through FY 2008 period.

The **Enhanced Mobile Satellite Service (EMSS)** is a secure global mobile satellite communications system that provides secure global voice, data, paging, and messaging communications capabilities to DoD, non-DoD, and foreign subscribers as needed. Current projections by the vendor are that the system will be operational through the FY 2020 timeframe. The EMSS Gateway infrastructure and equipment, however, have not been updated to operate beyond the 2008 timeframe. Several of the systems critical to the operation are beyond end-of-life with spare parts no longer available in the event of failure. Most of the remaining systems are approaching their end-of-life. Additionally, no system redundancy exists within the gateway. All these factors point to the need for a near-term technical refreshment initiative requiring capital investment dollars. Therefore, this budget submission includes a number of highly critical capital investment projects for this program. Depreciation expenses associated with the technical refreshment will be incorporated into the FY 2008 EMSS billing rates. **Commercial Satellite Services** remain a DWCF cost reimbursable service offering due to their targeted, non-terrestrial mission. Commercial Satellite Service costs increase over this budget period as

customers use DISA's centralized contracts to buy commercial bandwidth to meet their operational requirements.

The **DISN Leading Edge Services (LES)** will be integrated into the Defense Information Systems Network (DISN) in FY 2007 and is proposed to move into the DWCF as a non-subscription cost reimbursable program beginning in FY 2008. The estimated operating costs and revenue will be about \$6.4 million annually. It is currently a 100% reimbursable Research and Development network funded on a reimbursable basis by its users. The system is proposed for inclusion in the DWCF so it will be treated like other DISN programs and will remain cost reimbursable due to its limited customer community. The DISN-LES customer base fluctuates as customer participation changes for test and certification events. The customer base is expected to increase with the expansion of the Joint Mission Essential Test Capability (JMETC) projected to converge on the DISN-LES test and evaluation infrastructure beginning in FY 2008. DISN-LES will continue to provide interoperable, secure, and cost efficient Internet Protocol data services for the DoD command, control, intelligence, and mission support communities.

Non-DISN Reimbursable Telecommunications Services

In addition to the DISN, this budget includes a wide variety of cost-reimbursable telecommunications contracts for the Department of Defense community and other approved organizations. These contracts are treated as a "pass-through" expense to the Fund and support network operations in the continental U.S as well as Europe, Alaska, and the Pacific. This area also includes the reimbursement for DOD-wide telephone service centrally ordered and paid for through DISA and provided via the General Services Administration's Federal Telephone System 2001 (and successor) contracts.

ENTERPRISE ACQUISITION SERVICES (EAS)

Enterprise Acquisition Services encompasses a variety of support services to meet DOD information technology contract requirements. Large contract vehicles are available for many essential services: engineering, hardware, equipment and maintenance, integration and support, information security, and computer technology. The mission of Enterprise Acquisition Services also includes acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration; as well as a full range of financial support services including accounting, financial reporting, invoice certification and vendor payment; customer billing, cash management, and the like. Customers must provide funding to cover the estimated contract value before contracts are obligated by DISA and subsequently administered. As a result, budget changes are a direct result of volume projections of the dollar value of contracts customers are expected to request.

Moving the Defense Information Technology Contracting Office (National Capital Region) into the Defense Working Capital Fund. In order to standardize funding for DISA's contracting arm – Defense Information Technology Contracting Organization (DITCO), DISA proposes in this budget submission to realign the DITCO National Capital Region from its current appropriated funding source into the Defense Working Capital Fund (DWCF). Currently, all other DITCO operating locations and pass-through contract costs are funded by the DWCF. The plan is to transition the Defense Information Technology Contracting Organization

National Capital Region (DITCO NCR) into the DWCF in FY 2008. This will enable the DITCO NCR to provide better support to their customers, have access to the contracts issued by the other DITCO DWCF offices and in general improve operational efficiency. Therefore, this budget request includes the following additions to DWCF operations:

DITCO Transfer into the DWCF

Description (\$ in millions)	FY 2008	FY 2009
Computer Technology Contracts (business volume)	\$635.0	\$660.0
DITCO operating costs (contract admin/financial services)	\$9.7	\$9.3
Total Cost / Revenue	\$644.7	\$669.3
Civilian End strength	91	91
Civilian Work years	85	85
Military End strength	2	2

LINES OF BUSINESS COSTS

Provided below are summary lines of business with associated costs that make up the Telecommunications Services/Enterprise Acquisition Services business area. DISN customer access costs, which are customer-funded, reimbursable pass-through costs, are reflected below in the Enterprise Acquisition Services line.

Lines of Business Operating Costs \$ in millions

Program (\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009
DISN Subscription Services	\$859.1	\$938.8	\$912.5	\$912.0
Continuing military operations	60.9	72.1	70.3	70.9
Commercial Satellite Services	119.7	160.0	180.2	190.5
Enhanced Mobile Satellite Service	72.2	79.5	81.2	82.8
Other Reimbursable*	15.6	38.3	48.2	46.1
Enterprise Acquisition Computer Technology Contracts & Contracting Services	1,606.6	1,644.8	2,341.9	2,403.6
Enterprise Acquisition Telecom Contr Svcs, Including DISN access	899.8	1,132.0	1,161.5	1,188.1
<i>TS/EAS Total</i>	\$3,633.9	\$4,065.5	\$4,795.8	\$4,894.0

* Includes JHITS program and special telecommunication services

OPERATING BUDGET

Operating Budget Summary

\$ in millions	FY 2006	FY 2007	FY 2008	FY 2009
Revenue	\$3,620.1	\$3,971.2	\$4,759.2	\$4,873.9
Costs	3,633.9	4,065.5	4,795.8	4,894.0
Net Operating Result NOR	(13.9)	(94.3)	(36.7)	(20.1)
Other Changes Affecting AOR	-0-	-0-	-0-	-0-
Accumulated Operating Results	\$151.1	\$56.8	\$20.1	\$-0-

MAJOR CHANGES BETWEEN FISCAL YEARS

FY 2007 President's Budget Submission to FY 2007 Current Estimate

Telecommunications Services in FY 2007 costs increase \$49.5 million over the FY 2007 President's Budget, almost all in the DISN subscription services area. The complex nature of ongoing efforts for core site transition/build out to leverage new capacity, transition to the new DISN Access Transport Service contract, and access circuit optimization has caused some elements to slip from FY 2006 execution to FY 2007. As discussed above, the Joint World-Wide Intelligence Communications System program costs have increased by approximately \$20 million per year over the FY 2007 President's Budget levels to ensure that the Top Secret / Sensitive Compartmented Information Component of the DISN is appropriately resourced. It should also be noted that FY 2007 costs increase over FY 2006 levels due to the approved functional transfer of additional DISN functions totaling \$48.6 million into Telecommunications Services.

For Enterprise Acquisition Services, costs are estimated at \$2,776.8 billion, with growth over the FY 2007 President's Budget of \$204.7 million, principally occurring in the area of Computer Technology Contracts. The FY 2007 business volume estimate is based on actual FY 2006 volume, which is exceeding the original estimate by \$247.3 million, or 19%. The continued high business volume for both computer technology and telecommunications services is causing some increase in personnel levels for the contract specialists and financial management personnel within the business area. This budget submission includes an additional 52 end strength and 25 work years over the FY 2007 President's Budget. While DISA continues to maximize the use of contractor support as much as possible, some functions must be done in-house. Major areas of effort include contract close-outs, about 6,000 contract/task orders in a typical year, but growing by many thousands as major legacy contracts like DTS-C and FTS 2001 expire over this budget period.

Changes from FY 2007 to FY 2008

Costs for Telecommunications Services increase a total of \$3.6 million from FY 2007 to FY 2008. Of this amount, inflation makes up \$31.2 million. In FY 2008 the DISN Leading Edge Services (LES) will move into the DWCF, accounting for a \$6.4 million increase. Another increase is for the initial allocation of shared headquarters cost to DWCF business areas. The Telecommunications Services share is \$12.8 million. As discussed above, the legacy contract for

continental U.S. access to the DISN core has expired and the new DISN Access Transport Service (DATS) contract has been awarded. Annual increased costs of \$10 million are anticipated under the new contract and are included in this budget submission beginning in FY 2008. An increase in customer workload for Commercial Satellite Services of about \$18 million is also anticipated in FY 2008 for the Navy and the Defense Intelligence Service.

Within the Messaging Services portion of subscription services, DISA proposes to include the cost of software maintenance licenses required for products and services (about \$5.5M/year) which have previously been budgeted and paid directly by the Services and Agencies themselves. DISA and its customers have agreed to this change, and no funding realignments are required. Increases described above are offset by \$67.7 million of programmed cost reductions. These reductions are primarily attributable to continued DISN core optimization efforts based circuitry reductions, and to a variety of management-directed efficiencies.

Costs for Enterprise Acquisition Services (EAS) increase by \$726.6 million between FY 2007 and FY 2008. A total of \$66.8 million is due to inflation, and \$644.7 million to the transfer of the DITCO-NCR contracting function into the working capital fund, as discussed above. Another \$7.3 million is caused by the initial reimbursement to DISA O&M for the EAS portion of shared headquarters services. In addition, provisioning support for the transition to the new NETWORKX contract, the successor to FTS2001, also increases costs in FY 2008 by \$1.7 million over the FY 2007 level.

Changes from FY 2008 to FY 2009

For Telecommunication Services, costs are held fairly steady in FY 2009, with \$29.8 million of inflation offset by \$19.9 million in cost reductions, all of it in DISN subscription services. A small offsetting program increase is anticipated in Commercial Satellite Services, approximately \$5 million of additional customer workload, mostly for the Army and the Air Force.

For Enterprise Acquisition Services, costs increase by \$88.2 million between FY 2008 and FY 2009, most of which (\$80.6 million) is inflation. A small increase in computer technology workload is also anticipated, about \$9 million. Overhead/administrative costs decrease in the area of NETWORKX provisioning support as the contract transition efforts wind down in FY 2009.

Operating Gains/Losses in FY 2008/2009 Rates

Operating gains for Telecommunications Services /Enterprise Acquisition Services are proposed to be returned over the two-year period of FY 2008 – FY 2009. A total of \$20.1 million is returned via the fee-for-service rates in both FY 2008 and FY 2009. A total of \$11.6 million is returned in the FY 2008 DISN Subscription services share price.

CASH MANAGEMENT

Estimated Net Outlays and Cash Balance (\$ in Millions)

	Comp Svcs	TSEAS	Total
FY 2006 Actual Cash Balance	\$338.6	\$583.7	\$922.3
FY 2007 Net Outlays	\$154.1	\$252.1	\$406.2
FY 2007 Cash Balance	\$184.5	\$331.6	\$516.1
FY 2008 Net Outlays	\$19.0	\$97.2	\$116.2
FY 2008 Cash Balance	\$165.5	\$234.4	\$399.9
FY 2009 Net Outlays	\$3.0	\$48.8	\$51.8
FY 2009 Cash Balance	\$162.5	\$185.6	\$348.1

Note: FY 2006 balance includes unearned revenue totaling \$227.9 million.

The combined DISA DWCF cash balance at the end of FY 2006 was \$922.3 million, which includes \$227.9 million of advance billings posted in August 2006. These new advance billings were undertaken at the direction of the DOD Comptroller to ensure sufficient Defense-Wide Working Capital Fund liquidity for FY 2006.

The DISA DWCF cash balance is expected to decline by \$406 million during FY 2007, to a new balance of \$516 million. This decrease is due to liquidation (via earnings) of the advance billings done in FY 2006, along with operating losses, as prior year AOR profits are returned to customers via reduced rates. Another factor in the cash decline is the continuing capital expenditure for prior-year DISN investments without the cash income from depreciation. DISN (subscription services) depreciation was removed from rates beginning in FY 2006. It should also be noted that DISA intends to post a zero-sum cash transfer of \$120 million in FY 2007, as proposed in the FY 2007 President's Budget. A total of \$120 million will be moved from Computing Services to TS/EAS, reversing the transfer done in FY 2005.

During FY 2008 cash will decline further by \$116.2 million, to a balance of about \$400 million, driven by AOR return and by final DISN capital outlays. The transfer into the DWCF of the DITCO NCR has been included in the cash projection, driving a slight cash increase. During FY 2009 cash will decline about \$52 million principally due to return of prior year profits in the FY 2009 fee-for-service rate for Enterprise Acquisition Services.

CAPITAL INVESTMENT PROGRAM

Capital Budget Summary

\$ in millions	FY 2006	FY 2007	FY 2008	FY 2009
Telecommunications Services	\$12.3	\$21.8	\$12.4	\$3.9
Enterprise Acquisition Services	10.9	3.7	0.0	0.9
TS/EAS	\$23.2	\$25.5	\$12.4	\$4.8

Between its two DWCF business areas, Computing Services and TS/EAS, DISA proposes a smaller capital investment program in FY 2007 than the FY 2007 President's Budget: less for Computing Services, but more for TS/EAS, in particular for the Enhanced Mobile Satellite Service (EMSS) and Hawaii Information Transfer System (HITS), neither of which is part of the DISN subscription services. The EMSS service is the only truly global, secure, handheld communications device available to the Department. Since September 11, 2001 there has been a significant increase in the number of users on the EMSS Gateway infrastructure. The EMSS Gateway infrastructure and equipment has not been updated to operate beyond the 2008 timeframe but, as discussed earlier, the program will continue well beyond the current FYDP. Several of the systems critical to its operation are beyond end-of-life. In addition, no system redundancy exists within the gateway. As critical components age, malfunctions and outright failures of systems increase significantly, causing potential outages in the EMSS capability. Therefore, several EMSS projects have been included in this budget request totaling \$10.0 million in FY 2007, and \$3.9 million in FY 2008. Favorable consideration to establishing a capital budget for this program is requested in this budget cycle. Also requested are capital funds for the JHITS switches (tech refresh and some expansion) in FY 2008 and FY 2009. We have also included the required investment amounts for the new standard financial system. DISA, along with other Defense Agencies, is currently partnering with the Business Transformation Agency (BTA) to develop and deploy a new COTS-based system under the auspices of the BTA's Defense Agencies Initiatives. Finally, it should be noted that after FY 2007 all capital investment for the Joint Worldwide Intelligence Communications System (JWICS) is funded in the Defense-wide procurement account with the rest of the DISN subscription services programs.

PERFORMANCE MEASURES

Telecommunications, both terrestrial and satellite, are key to information superiority and supporting the Global Information Grid as it creates a net-centric environment to enhance warfighter capabilities. DISA's ability to meet the warfighter's requirements in a surge environment has been repeatedly demonstrated in Southwest Asia. The continued capability to meet these requirements is the focus of the operation of the DISN and the operational integration of the Global Information Grid. These efforts, which have guided this budget's development, support the Department's goal of bandwidth availability. DISN has been a focus of transformation during the Department's review of its pricing structure. The result is a methodology which will simplify pricing and incentivize use. Besides pricing measures (share price) that establish financial metrics in a revolving fund, the DISN has operating metrics tied to the Department's strategic goals. 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. Both of these categories of metrics have guided the development of this submission. The business area tracks its performance results through DISA Corporate Board Reviews, Internal Performance Reviews, Balanced Scorecard results, and annual customer surveys. The Balanced Scorecard specifically reviews performance metrics, financial stability, and significant event milestones. Shown below are examples of TS/EAS performance measures that have driven budget development:

Telecommunications Services

- Non-Secure Internet Protocol Router Network access circuit availability

- Target: 99.55 %
- Secure Internet Protocol Router Network latency (speed of the network) in the continental United States
 - Target: Not to exceed 100 milliseconds
- Defense Switched Network switch availability
 - Target: 100.00%
- Defense Switched Network trunk availability
 - Target: 99.95%

Enterprise Acquisition Services

- DITCO contracting offices rated satisfactory or higher for compliance with Federal, DoD, and Agency laws, regulations, policy and Executive Orders
 - Target: All offices rated Highly Satisfactory

CIVILIAN PERSONNEL

Telecommunications Services/ Enterprise Acquisition Services	FY 2006	FY 2007	FY 2008	FY 2009
Civilian End Strength	628	946	1,040	1,040
Civilian Work years	594	904	1,012	1,012
Civilian Personnel Cost (\$ in millions)	\$51.7	\$86.1	\$99.7	\$101.2

FY 2007 end strength increase of 318 over FY 2006 principally due to the functional transfer of DISN support personnel approved in the FY 2007 President’s Budget. Some growth over the FY 2007 President’s Budget is planned in the TS/EAS business area, mostly in Enterprise Acquisition Services, as several major initiatives must be supported concurrently. Several complex telecommunications service contracts have been re-awarded and others planned within the next 1-2 years, which require contracting and financial personnel to transition service from legacy to new contract vehicles, and to close out old contracts and associated financial and billing records. Contract close-outs are a major focus area, and are labor-intensive: When the DTS-C and FTS 2001 contracts expire over the next two years, over 50,000 orders will require close-out. In addition, support is ongoing to the Financial Improvement and Remediation (FIAR) plan in preparation for a clean audit opinion in FY 2008, as well as support for the development and deployment of a new standard accounting system, in partnership with the BTA. Business volume remains strong, and the “24/7” environment coupled with the ongoing military actions around the world have made it necessary to locate several contracting specialists closer to customers in Florida and Japan. As discussed earlier, DISA proposes to move the DITCO contracting office located in the national capital region into the DWCF in FY 2008. This adds 91 End Strength, and 85 work years to the DWCF in FY 2008.

MILITARY PERSONNEL

Telecommunications Services/ Enterprise Acquisition Services	FY 2006	FY 2007	FY 2008	FY 2009
Military End Strength	25	103	104	104
Military Work years	25	103	104	104
Military Personnel Cost (\$ in millions)	\$2.2	\$6.1	\$6.7	\$6.9

Reimbursable military billets assigned to the business area increase from FY 2006 to FY 2007 as a result of the approved functional transfer of 76 DISN network support personnel previously funded in the military pay accounts. (This transfer was requested in the FY 2007 President's Budget.) There is also a slight increase in FY 2008, attributable to the proposed functional transfer of the DITCO-National Capital Region office into the DWCF.

Changes in the Cost of Operations
Component: Defense Information Systems Agency
Activity group: TSEAS
February 2007
(\$ in Millions)

FY 2006	Actual	3633.9
FY 2007	Estimate in President's Budget	3811.3
	<i>Pricing Adjustments:</i>	
	Non-labor inflation	11.6
	<i>Program Changes:</i>	
	Increased cost reimbursable contracting services workload most notably for Computer Technology and Telecommunications contracts	202.9
	Costs shifting from FY 2006 to FY 2007 to complete Core sites transition/build-out to leverage new capacity and implement Access Circuit Optimization	25.4
	Increased sustainment costs for Joint World Wide Intelligence Communications System, which provides high-speed multimedia communications services up to and including Top Secret/Sensitive Compartmented Information	20.0
	Transition to Joint Hawaii Information Transfer contract: build-out of network operations center and miscellaneous other transition costs	7.7
	Additional staffing and other support costs for Enterprise Acquisition Services business volume increases for contracting services	1.3
	Defer initial reimbursement for share of DISA Headquarters cost	(9.4)
	Reduced telecommunications workload most notably for Commercial Satellite services and Special Telecommunications customers	(5.3)
FY 2007	Current Estimate	4065.5
	<i>Pricing Adjustments:</i>	
	Non-labor inflation	95.3
	Civilian/Military pay raise	2.1
	Annualization of Civilian/Military prior year pay raise	0.5
	<u><i>Functional Transfer for Allocated share of DISA Headquarters Cost from O&M, DW (DISA) to DWCF (DISA)</i></u>	
	Initial reimbursement by DISA DWCF business areas for shared headquarters costs	20.1
	<u><i>Functional Transfer for Defense Information Technology Contracting Organization in National Capital Region (NCR) moves from appropriated fund financing to DWCF financing</i></u>	
	Computer Technology contracting services workload	635.0
	Personnel and supporting costs	9.0

Changes in the Cost of Operations
Component: Defense Information Systems Agency
Activity group: TSEAS
February 2007
(\$ in Millions)

Functional Transfer for DISN Leading Edge Services (LES)

Appropriated fund reimbursable line of business for ATM-based R&D testing events moves to DWCF reimbursable 6.4

Functional Transfer for Defense Messaging Services (DMS) software maintenance licenses

Previously paid by Services and Agencies directly to vendors, now included in DWCF rates 5.5

Program Changes:

DISN Subscription service efficiencies attributable to continued DISN core optimization efforts, post-GIG bandwidth expansion circuitry reductions, and management-directed efficiencies (67.7)

Increased circuit prices for new DATS contracts compared to legacy CONUS transmission contract 10.0

Increased workload for Commercial Satellite services 15.3

EMSS depreciation costs for Capital investments 1.8

Increased provisioning support for the transition to GSA NETWORKX system 1.6

Completion of one-time data conversion for new standard financial system (1.6)

Workload fluctuations in telecommunications services (3.0)

FY 2008 Estimate 4795.8

Pricing Adjustments:

Non-labor inflation 107.7

Civilian/Military pay raise 1.9

Annualization of Civilian/Military prior year pay raise 0.8

Program Changes:

Additional DISN Subscription service efficiencies (21.6)

Increased contracting services workload for Computer Technology contracts 11.7

Increased workload for Commercial Satellite services 5.8

Decreased costs for GSA NETWORKX provisioning support as transitioning efforts are completed (3.3)

Reduced JHITS program costs (3.0)

Workload fluctuations in telecommunications services (1.8)

FY 2009 Estimate 4894.0

Source of New Orders and Revenue
Component: Defense Information Systems Agency
Activity Group: TSEAS
February 2007
(Dollars in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders				
a. Orders from DoD Components				
Air Force Appropriated	603.5	644.5	656.9	670.8
Army Appropriated	632.9	684.3	712.1	731.9
Navy and Marine Corps Appropriated	335.6	445.7	483.1	491.3
DISA Appropriated	468.8	522.0	1,165.4	1,206.9
Other DoD	447.1	340.7	359.8	369.0
b. Orders from Other Fund Activity Groups				
Air Force - Working Capital	60.9	84.4	86.6	89.6
Army - Working Capital	3.5	6.5	6.7	6.9
Navy - Working Capital	33.3	34.7	36.5	36.2
DISA - Working Capital	0.8	2.4	3.4	4.1
DFAS	11.1	5.0	5.9	6.1
DLA	27.2	37.1	36.4	37.5
DECA	55.7	65.6	67.3	69.7
Computing Services	415.9	517.5	531.6	549.1
c. Total DoD	3,096.1	3,390.5	4,151.7	4,268.9
d. Other Orders				
Federal Aviation Administration	165.7	204.7	218.1	212.4
Other Federal Agencies	353.9	375.1	388.4	391.6
Other Non-Federal	4.3	0.9	1.0	1.0
Total New Orders	3,620.0	3,971.2	4,759.2	4,873.9
2. Carry In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	3,620.0	3,971.2	4,759.2	4,873.9
4. Other Income	0.1	0.0	0.0	0.0
5. Revenue (-)	3,620.1	3,971.2	4,759.2	4,873.9
6. End of Year Work in Process (-)	0.0	0.0	0.0	0.0
7. FMS, BRAC, Other Federal, and Non-Federal orders (-)	0.0	0.0	0.0	0.0
8. Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0	0.0

Revenue and Expenses
Component: Defense Information Systems Agency
Activity Group: TSEAS
February 2007
(Dollars in Millions)

	FY 2006	FY 2007	FY 2008	FY 2009
Revenue				
Gross Sales				
Operations	3,619.5	3,969.4	4,752.9	4,866.3
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation Excluding Major Construction	0.6	1.8	6.2	7.6
Major Construction Depreciation	0.0	0.0	0.0	0.0
Other Income	0.0	0.0	0.0	0.0
Refunds/Discounts(-)				
Total Income	3,620.1	3,971.2	4,759.2	4,873.9
Expenses				
Salaries and Wages:				
Military Personnel Compensation & Benefits	2.2	6.1	6.7	6.9
Civilian Personnel Compensation & Benefits	51.7	86.1	99.7	101.2
Travel & Transportation of Personnel	3.6	5.1	5.2	5.4
Materials and Supplies	219.8	222.7	224.8	229.5
Equipment	0.0	0.0	0.0	0.0
Other Purchases from Revolving Funds	9.8	11.6	12.3	11.2
Transportation of Things	0.0	0.0	0.0	0.0
Depreciation Capital	0.6	1.8	6.2	7.6
Rent, Communications, Utilities, & Misc. Charges	1,559.9	1,835.9	1,963.2	1,999.0
Printing and Reproduction	0.1	0.1	0.1	0.1
Advisory and Assistance Services	9.6	9.7	10.0	10.4
Other Purchased Services	1,776.7	1,886.5	2,467.4	2,522.7
Total Expenses	3,633.9	4,065.5	4,795.8	4,894.0
Operating Result	(13.9)	(94.3)	(36.7)	(20.1)
Less Capital Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Passthroughs and Other Appropriations Affecting NOR	0.0	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0	0.0
Net Operating Result	(13.9)	(94.3)	(36.7)	(20.1)
Prior Year AOR	164.9	151.1	56.8	20.1
Other Changes Affecting AOR	0.1	0.0	0.0	0.0
Accumulated Operating Result	151.1	56.8	20.1	(0.0)
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result for Budget Purpose	151.1	56.8	20.1	(0.0)

**DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2008/2009 BUDGET ESTIMATES
FEBRUARY 2007
OVERVIEW**

DEFENSE LOGISTICS AGENCY

The Defense Logistics Agency (DLA) is a Combat Support Agency responsible for providing worldwide logistics support for the missions of the Military Departments and the Unified Combatant Commands under conditions of peace and war. Responsibilities include the acquisition, storage, and distribution of most of the Department of Defense's (DoD) spare parts and other consumable items, reutilization and marketing of excess military property, document automation services, and operation of the Defense National Stockpile. DLA directly contributes to the warfighting readiness and sustainability of U.S. forces, literally "around the clock - around the world".

Most of these responsibilities are carried out by activity groups operating within the Defense-Wide Working Capital Fund. The DLA portion of the Fund consists of the following four activity groups:

- Supply Management
- Distribution Depots
- Reutilization and Marketing
- Document Automation and Production Service

This submission reflects DLA's continued commitment to provide responsive, best value supplies and services consistently to our customers, to structure internal processes to deliver customer outcomes effectively and efficiently, to ensure our workforce is enabled and empowered to deliver and sustain logistics excellence, and manage DLA resources for best customer value. Specifically, this submission includes:

- ◆ Performance goals and metrics for all major DLA Activity Groups
- ◆ Supply Non-Energy Customer Price Change (CPC) of 2.2% in FY 2008.
- ◆ A direct appropriation to the DLA Defense Working Capital Fund of \$22.9 million in FY 2008 to fund military unique costs.
- ◆ Supply Energy standard price per barrel of petroleum of \$91.14 in FY 2008.

- ◆ Workload (receipts and issues) in Distribution that is beginning to level off.
- ◆ An increase in transportation costs due to the increased cost of fuel and continued support of OEF/OIF

A description of each activity group follows:

Supply Management Activity Group - Non-Energy

The DLA Supply Management Non-Energy Activity Group incorporates those activities, programs and costs related to materiel management. Costs include operations (salaries and expenses), materiel (items sold to the military services) and capital investments (purchase of equipment, software development and minor construction). In addition, DLA's Non-Energy Supply Management includes DoD Logistics support activities, such as the Defense Logistics Information Service (DLIS), and the Defense Automated Addressing Systems Center (DAASC). Nearly 25.5 million requisitions are received annually from the military services, other federal agencies, non-federal agencies and foreign military for the 5.2 million consumable items managed by DLA.

DLA's Non-Energy inventories are broken into seven Supply Chains. Four of the Supply Chains are Troop Support (uniforms, food, medical, and construction and equipment) oriented and the other three are Weapons System Support (repair parts and operating supplies) oriented.

Activity Group Profile

	(\$ in Millions)			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Cost of Goods Sold	\$16,220.4	\$16,751.0	\$15,730.0	\$15,306.4
Net Operating Results	(\$578.0)	(\$359.2)	\$199.6	\$197.7
Accumulated Operating Results	(\$38.1)	(\$397.3)	(\$197.7)	\$0.0
Civilian FTEs	10,770	11,053	11,006	10,702
Military Workyears	281	282	282	282
Capital Budget Authority	\$172.3	\$66.3	\$76.3	\$67.2

Supply Management Activity Group - Energy

The DLA Defense Energy Support Center (DESC) located at Fort Belvoir, Virginia, provides comprehensive worldwide energy support for the military services and other authorized customers. Energy business includes sales of petroleum and aerospace missile fuels; electricity and natural gas products; assistance to the services regarding privatization of their utility systems; 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.

Activity Group Profile

	<u>\$ in Millions)</u>			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Cost of Goods Sold	\$12,444.0	\$12,353.0	\$12,594.0	\$12,408.0
Net Operating Results	\$361.0	(\$415.0)	\$357.0	\$355.0
Accumulated Operating Results	(\$29.0)	(\$444.0)	(\$86.0)	\$269.0
Civilian FTEs	806	862	911	961
Military Workyears	76	76	76	76
Capital Budget Authority	\$14.0	\$58.7	\$55.8	\$54.2

Distribution Depots Activity Group

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA line items. These items consist of wholesale DoD weapon systems parts and other defense related consumable items to include medical, clothing, subsistence, electrical, industrial and general supplies. In FY 2006, the distribution depots, by location are:

CONUS

Albany, GA
 Anniston, AL
 Barstow, CA
 Cherry Point, NC
 Columbus, OH
 Corpus Christi, TX
 Hill, UT
 Jacksonville, FL
 Map Support, Richmond, VA
 Norfolk, VA
 Oklahoma City, OK
 Pearl Harbor, HI
 Puget Sound, WA
 Red River, TX
 Richmond, VA
 San Diego, CA
 San Joaquin, CA
 Susquehanna, PA
 Tobyhanna, PA
 Warner Robins, GA

OCONUS

Camp Arifjan, Kuwait
 Camp Carroll, Korea
 Germersheim, Germany
 Guam, Marianas
 Sigonella, Italy
 Yokosuka, Japan

These depots, strategically located throughout the world, received

and issued 22.6 million secondary lines and warehoused and maintained over 119.6 million cubic feet of material. The Defense Distribution Depot network ensures that America's war fighters receive the best value distribution services.

Activity Group Profile

	<u>\$ in Millions)</u>			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$2,552.6	\$1,451.0	\$1,732.5	\$1,713.8
Net Operating Results	\$237.8	(\$62.0)	(\$239.9)	(\$247.6)
Accumulated Operating Results	\$549.5	\$487.5	\$247.6	\$0.0
Civilian FTEs	8,065	8,384	9,382	9,065
Military Workyears	143	143	143	143
Capital Budget Authority	\$34.6	\$46.1	\$39.0	\$38.9

Reutilization and Marketing Activity Group

The Defense Logistics Agency (DLA) Defense Reutilization and Marketing Service (DRMS) Activity Group is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2006, DRMS received 3.1 million line items of useable property. DoD inventory managers submit requirements to DLA via automated requisitions using standard requisition and issue procedures. Items received by the DLA Defense Reutilization and Marketing Offices (DRMOs) meeting Military Services item manager criteria are automatically referred through front-end screening notices. The Military Services and the DLA Inventory Control Points reutilized \$1.8 billion worth of personal property in FY 2006, resulting in savings to the DoD and the Government. If property is not reutilized, it can be transferred to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations. In FY 2006, DRMS donated \$21 million worth of property (generators, heavy equipment, cots, blankets, health and comfort kits) to support relief efforts for Hurricanes Katrina and Rita and \$3.3 million to support relief efforts after the Pakistan earthquake.

In addition to useable property, DRMS received, recycled and/or disposed of over one billion pounds of scrap. DRMS also conducts the DoD precious metals recovery program, extracting these commodities from scrap metals. In FY 2006, DRMS achieved the goals requested by the Defense Supply Center Philadelphia with deposits exceeding over \$5.2 million in precious metals values.

Some types of property require special handling to reduce risk to the public. Property having offensive or defensive characteristics undergoes a demilitarization process to remove those characteristics. In FY 2006, DRMS demilitarized over two hundred thousand line items. Property that may contain small amounts of environmentally regulated substances not easily identifiable, such as electronic scrap, undergoes a demanufacturing process to ensure that no hazardous waste is inadvertently released into the environment.

The DLA disposal mission includes hazardous property disposition. In this capacity, DLA handles the vast majority of DoD property governed by the Resource Conservation Recovery Act (RCRA) of 1976, as amended. Some hazardous material has reutilization and/or sales value and goes through the same process as all other DoD property. In FY 2006, DRMS disposed of over 8,000 line items of hazardous material by Reutilization/Transfer/Donation (R/T/D) and sales, which avoided contractual disposal as hazardous waste. Once it has been screened for potential reutilization or sales value, all hazardous waste is directly disposed of through contracts managed by DLA and direct funded by the Military Services.

Throughout the disposal process, DRMS is required to maintain stringent accountability for all excess and surplus property. This is done with their Disposal Automated Information System (DAISY).

The operational core of this organization lies with individual DRMOs located on military installations throughout the world. DRMOs receive, classify, segregate, demilitarize, account for and report excess material for screening, lotting, merchandising, and sales. Operational control and oversight is provided by DRMS headquarters, located in Battle Creek, Michigan.

Activity Group Profile

	<u>\$ in Millions)</u>			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$318.4	\$274.3	\$325.8	\$326.7
Net Operating Results	\$28.3	(\$72.5)	(\$37.3)	(\$38.4)
Accumulated Operating Results	\$148.2	\$75.7	\$38.4	\$0.0
Civilian FTEs	1,470	1,759	1,760	1,754
Military Workyears	11	11	11	11
Capital Budget Authority	\$1.3	\$13.8	\$27.0	\$14.7

Document Automation and Production Service Activity Group

The Document Automation & Production Service (DAPS) is responsible

for the DoD printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated services to include: document conversion, electronic storage and output, and the distribution of hard copy and digital information. DAPS provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office.

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 194 production facilities.

Activity Group Profile

	<u>\$ in Millions)</u>			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$352.4	\$411.3	\$422.7	\$438.0
Net Operating Results	\$4.2	(\$8.6)	(\$3.9)	\$0.0
Accumulated Operating Results	\$23.1	\$14.5	\$10.6	\$10.6
Civilian FTEs	788	797	776	763
Capital Budget Authority	\$3.1	\$4.8	\$8.3	\$10.2

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
FISCAL YEAR (FY) 2008/2009 Budget Estimates

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Non-Energy Supply Management Activity Group incorporates those activities, programs and costs related to materiel management. Costs include operations (salaries and expenses), materiel (items sold to the military services) and capital investments (purchase of equipment, software development and minor construction). In addition, DLA's Non-Energy Supply Management includes a small number of DoD Logistics support activities, such as the Defense Logistics Information Service (DLIS) and the Defense Automated Addressing Systems Center (DAASC). Nearly 25.5 million requisitions are received annually from the military services, other federal agencies, non-federal agencies and foreign military for the 5.2 million consumable items managed by DLA.

The DLA's Non-Energy inventories are broken into seven Supply Chains. Four Supply Chains are Troop (uniforms, food, medical, and construction and equipment) oriented and the three remaining Supply Chains are Weapons System (repair parts and operating supplies) oriented:

Organizational responsibilities:

Troop Support provides food, clothing, medicine, medical equipment, construction and equipment supplies and services to the military services and non-DoD customers through the four Supply Chains it manages. The Inventory Control Point (ICP) designated as the lead center for Troop Support is the Defense Supply Center Philadelphia. A description of the Troop Support Supply Chains follows.

The **Clothing and Textiles Supply Chain** is the primary source for over 31,000 clothing and textile items that outfit U.S. troops and civilian customers. These items include uniforms, helmets, body armor, chemical protective suits, footwear, tents, and other related items. FY 2008 sales are projected at \$2.1 billion. Each year the Clothing and Textiles Supply Chain processes 3.6 million customer orders using over 4,250 contracts/delivery orders to over 220 suppliers.

The **Medical Supply Chain** is the primary source for 1.6 million medical items for the Military Services in peacetime and war. These items include medical supplies, equipment, pharmaceuticals and other health care items; everything from

first-aid kits to fully deployable field hospitals and complete turnkey radiology suites. FY 2008 sales are projected at \$4.2 billion. Each year the Medical Supply Chain processes 530,000 customer orders using approximately 300 suppliers and awards 42,000 contracts.

The **Subsistence Supply Chain** is the primary source for nearly 75,000 Subsistence items and serves as the key link between the Military Services and the U.S. food industry. In addition to the support provided to the Military Services and to other Federal agencies, Subsistence also supports public health service hospitals, the U.S. Department of Agriculture national school lunch program, and the District of Columbia school district. Items include fresh fruits and vegetables, frozen and dehydrated food, and Meals Ready-to-Eat. FY 2008 sales are projected at \$2.7 billion. Each year the Subsistence Supply Chain processes 375,000 multi-line customer orders using 1,300 contracts to over 1,000 suppliers.

The **Construction and Equipment Supply Chain** is the primary source for over 348,000 Construction and Equipment items for the Services and other Federal Agencies. The Construction and Equipment product line includes fire and emergency service equipment, marine lifesaving equipment, wood products, lighting, metals, building materials, safety and rescue equipment, and everything used in facilities maintenance. FY 2008 sales are projected at \$2.5 billion. Each year the Construction and Equipment Supply Chain processes 1.2 million customer orders using over 226,000 contracts to over 2,980 suppliers.

Weapons Systems Support provides repair parts for aviation, land and maritime weapons system support. The ICP designated as the lead for Aviation is the Defense Supply Center Richmond (DSCR) and the lead for the Land and Maritime Supply Chains is the Defense Supply Center Columbus (DSCC).

The **Aviation Supply Chain** is the primary source for nearly 1.3 million repair parts and operating supply items for aviation. These items include a mix of military-unique items supporting over 1,300 major weapon systems and other items readily available in the commercial market. These items range from critical, safety-of-flight air frame structural components and aircraft engine parts, to electric cable and electrical power products, packaged and bulk lubricating oils, industrial gases, precision instruments, environmental products and consumable items. FY 2008 sales are projected at \$3.4 billion. Each year the Aviation Supply Chain processes more

than 5 million customer orders using over 372,000 contracts to more than 9,400 suppliers with over 65,000,000 delivered items from detachments located in Richmond, Columbus and Philadelphia.

The **Land Supply Chain** is the primary source for nearly 350,000 repair parts and operating supply items for Land based weapon systems. These items include a mix of military-unique items supporting over 529 major land-based weapon systems as well as items readily available in the commercial market. FY 2008 sales are projected at \$1.8 billion. Each year the Land Supply Chain processes 3.7 million customer orders using over 350,000 contracts to over 3,300 suppliers from detachments located in Columbus, Philadelphia and Richmond.

The **Maritime Supply Chain** is the primary source for nearly 1.5 million repair parts and operating supply items for Maritime based systems. These items include a mix of military-unique items supporting over 434 major weapon systems, electronic components supporting all Services' weapons systems, and consumable items readily available in the commercial market. FY 2008 sales are projected at \$1.8 billion. Each year the Maritime Supply Chain processes 4.7 million customer orders using over 340,000 contracts to over 5,500 suppliers from detachments located in Columbus, Philadelphia and Richmond.

Other DoD Logistics Support Organizations:

The **Defense Logistics Information Service (DLIS)** supports all logistics functions of DoD, other government agencies, and foreign governments by managing and distributing logistics information on seven million supply items in the Federal Logistics Information System. The logistics information which DLIS processes provides catalogs for items ranging from operating supplies and spare and repair parts to propeller blades and space vehicles.

The **Defense Automatic Addressing Systems Center (DAASC)** 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.

BUDGET HIGHLIGHTS

These estimates were prepared prior to the President's decision to deploy additional forces to Iraq.

Global War on Terrorism:

The DLA Non-Energy Supply Management Activities provide a wide range of supplies and services in support of the Global War on Terrorism (GWOT). The DLA's efforts include providing medical supplies, clothing, food, and spare parts. In addition, DLA sends technical experts into contingency locations to research and resolve critical issues which impact military readiness. The Non-Energy Supply FY 2006 actual and FY 2007-2009 projected sales in support of the GWOT is reflected as follows:

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009
GWOT Sales	4,312.4	3,592.9	2,139.3	1,358.5

Disaster Relief -

DLA Non-Energy Supply Management Activities support Federal Emergency Management Agency (FEMA), American Red Cross, various State Agencies, and United States Northern Command (NORTHCOM) relief and restoration operations. In the first quarter of FY 2006 DLA provided support to the Pakistan earthquake relief efforts.

As a result of Katrina lessons learned, DLA and FEMA have improved engagement and coordination via meetings, exercises and pre-planning. The DLA signed an Interagency Agreement (IAA) with FEMA in March 2006 to allow a smoother process of support for disaster preparedness.

In addition to the hurricane and earthquake operations, DLA supported the evacuation of American citizens from Lebanon as violence continued in the Middle East.

Defense Working Capital Fund Direct Appropriations for Non-Energy Supply: (including supplementals):

Direct appropriations provided in FY 2006 through FY 2009 included in this budget submission are detailed in the following chart and narrative.

DWCF Appropriation: (\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009
Reutilization, Transfer and Disposal Costs	35.4	15.6	20.9	25.8
Defense Finance and Accounting Systems Costs	1.3	2.0	2.0	2.6

Unused Warehouse Space	47.6	0.0	0.0	0.0
Hurricane Relief Supplemental	1.7	0.0	0.0	0.0
Total Appropriations	86.0	17.6	22.9	28.4

The above table does not include the FY 2007 supplemental request for \$243.4 million requested to finance combat inventory. The DLA has financed an increase in inventory levels in support of the GWOT. Examples include uniforms/protective gear, body armor, chemical protection, tents, medical kits and field dressings, windshields, and other vehicle parts. As the GWOT continues, advancements in weapon systems and warfighter support technology have made some items initially purchased obsolete. In addition, GWOT mission changes are translating into a different mix of items being required versus when the contingency operations began, resulting in unsold inventory. The \$243.4 million supplemental offsets previous inventory investments and is needed to maintain solvency of the Defense-Wide Working Capital Fund cash corpus.

Defense Reutilization and Marketing Service (DRMS) - Part of the DRMS 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 are contrary to private industry practices. To bring Non-Energy costs more in line with commercial business practices, these costs are being funded by a direct appropriation as a military unique cost. The Service Level Billing decreases in FY 2007 and FY 2008 to return NOR gains due to higher sales. The FY 2009 Service Level Billing reflects normalized operations.

DFAS Systems Costs - To improve visibility to DFAS customers of the costs of DFAS systems, these costs were removed from DFAS rates beginning in FY 2004. These funds cover the increase in systems costs charged over those removed from DFAS rates.

Hurricane Relief Supplemental - Non-Energy also received \$1.7 million in the FY 2006 Hurricane Relief Supplemental.

PERFORMANCE INDICATORS

The following are major measures that DLA uses to assess its financial performance:

Net Operating Results (NOR) and Accumulated Operating Results (AOR):

The NOR is the difference between revenues and expenses and excludes non-recoverable items such as property disposal transfers, net acquisition cost changes, returns without credit and other changes. The NOR is a financial management tool that measures the

effectiveness of cost recovery rates, costs and revenue. The AOR reflects the long term, multi-year results of previous NOR. Its measurement describes the accumulated affects of NOR and demonstrates the fiscal strength over a longer time period. The following tables show the Non-Energy NOR/AOR included in this budget submission.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009
Revenue	18,982.3	20,203.7	19,246.6	18,678.5
Expenses	18,964.1	19,972.8	18,994.1	18,511.6
Cost of Goods Sold	16,220.4	16,751.0	15,730.0	15,306.4
Operations	2,743.7	3,221.8	3,264.1	3,205.2
Unused Warehouse Space	47.6	0.0	0.0	0.0
Reutilization, Transfer and Disposal Costs	35.4	15.6	20.9	25.8
Defense Finance and Accounting Systems Costs	1.3	2.0	2.0	2.6
Cash Surcharge	-517.3	-573.9	-121.4	-51.1
Capital Surcharge	-132.6	-2.2	60.6	64.9
Inventory Surcharge	-30.6	-31.6	-15.0	-11.4
Net Operating Results	-578.0	-359.2	199.6	197.7
Prior Year Accumulated Operating Results	539.9	-38.1	-397.3	-197.7
Ending Accumulated Operating Results	-38.1	-397.3	-197.7	0.0

Materiel Availability:

Materiel availability is a comprehensive measure of materiel support to our customers. The following table displays the materiel availability actuals for FY 2006 and goals for FY 2007 through FY 2009.

Materiel Availability	FY 2006	FY 2007	FY 2008	FY 2009
Clothing & Textiles	92.4%	92.0%	92.0%	92.0%
Medical	95.2%	88.0%	88.0%	88.0%
Subsistence	100.0%	100.0%	100.0%	100.0%
Construction & Equipment	85.9%	86.0%	86.0%	86.0%
Aviation	87.4%	87.5%	87.5%	87.5%
Land	87.5%	87.0%	87.0%	87.0%
Maritime	89.5%	89.0%	89.0%	89.0%

WORKLOAD**Non-Energy: Gross Sales at Standard Unit Price**

Gross Sales at Standard Unit Price is the primary workload measure in the non-energy business. Sales are affected by customer demands (force structure, aging weapon systems and operating tempo). Operation Enduring Freedom/Operation Iraqi Freedom/Homeland Security sales are included in the amounts below. The following table displays non-energy gross sales for each year:

(Dollars in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Non-Energy Gross Sales at Standard Unit Price	\$18,594.7	\$19,460.1	\$18,499.1	\$17,937.6

UNIT COST

Unit cost resourcing provides the operating cost authority for items such as salaries, facilities maintenance and other administrative costs, as well as supplies and materiel for resale. Approved budget requirements and projected workload are used to develop a unit cost goal. This is applied to actual workload during the budget execution year to earn the approved cost authority. Unit costs less than \$1.00 are the result of selling inventory procured in previous fiscal years.

Non-Energy	FY 2006	FY 2007	FY 2008	FY 2009
Costs (\$ in Millions)	\$17,910.3	\$18,491.0	\$17,871.3	\$17,384.4
Gross Sales (\$ in Millions)	\$18,594.7	\$19,460.1	\$18,499.1	\$17,937.6
Unit Cost Goal (per \$ of Sales)	0.96	0.95	0.97	0.97

Pricing**Customer Price Change (CPC) and Cost Recovery Rate (CRR):**

The CPC is the average change in price from one year to the next that the customer will encounter for the average non-energy item. The DLA's goal is to have a CPC of no greater than the DoD

composite inflation factor. 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 operating results.

The 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, travel, training, depreciation, facilities maintenance, shipping, storage, accounting, and cataloging.

Due to low Defense-Wide Working Capital Fund (DWWCF) cash balances, OSD took an unusual but prudent step to adjust the PB 2007 approved CRR and CPC to increase the DWWCF cash balance. A cash surcharge of \$573.9 million is included in the revised FY 2007 rate.

The table below displays the DoD approved CPCs and CRRS for FY 2006, FY 2007, FY 2008 and FY 2009, along with the DoD inflators:

Composite	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
CPC	1.2%	0.6%	2.3%	2.2%	1.9%
DoD Inflator	2.5%	2.2%	2.5%	2.4%	2.3%
CRR	14.4%	12.5%	14.4%	14.2%	13.7%

INVENTORY

The following chart shows non-energy total inventory included in this budget:

	FY 2006	FY 2007	FY 2008	FY 2009
Beginning Inventory	11,852.2	12,940.4	12,667.8	12,574.0
Receipts	16,733.8	16,425.0	15,586.9	15,093.4
Sales	-16,384.0	-16,806.1	-15,885.0	-15,461.3
Returns for Credit	163.7	55.1	155.0	155.0
Returns No Credit	463.7	299.2	286.0	285.9
Disposals	-210.4	-218.6	-219.8	-230.1
Capitalization	17.7	2.0	2.0	5.0
Other	303.7	-29.2	-18.9	-17.1
Ending Inventory	12,940.4	12,667.8	12,574.0	12,404.8

Leaning forward obligational authority to build inventory in support of future sales was received in FY 2004 and FY 2005. The drop in inventory in FY 2007, FY 2008 and FY 2009 is the result of

the sale of leaning forward inventory purchased in FY 2004 through FY 2006.

NET OUTLAYS

Pricing decisions and workload projections result in estimates for cash collections, disbursements, and net outlays. DLA Non-Energy experienced a cash loss in FY 2006 due to lower sales. Principal drivers were the length of the FY 2006 Continuing Resolution Authority and Army customer funding issues. In FY 2007 through FY 2009 DLA Non-Energy plans to rebuild cash to the seven to ten day requirement by selling inventories and collecting a cash surcharge each budget year.

Non-Energy (\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009
Disbursements	19,436.8	19,605.8	18,663.8	18,233.7
Collections	18,941.4	20,037.3	19,013.4	18,423.4
Appropriations	84.3	17.6	22.9	28.4
Reutilization, Transfer and Disposal Costs	35.4	15.6	20.9	25.8
Defense Finance and Accounting Systems Costs	1.3	2.0	2.0	2.6
Unused Warehouse Space	47.6	0.0	0.0	0.0
FY 2006 Hurricane Relief	1.7			
Net Outlays	409.4	-449.1	-372.5	-218.0

In 2006, a direct appropriation of \$84.3 million was provided of which \$35.4 million was for reutilization, transfer and disposal costs, \$1.3 million for DFAS system costs, and \$47.6 million for unused warehouse space. Non-Energy also received \$1.7 million in the FY 2006 Hurricane Relief Supplemental.

In FY 2007, a direct appropriation of \$17.6 million was provided to include \$15.6 million for reutilization, transfer and disposal costs and \$2.0 million for DFAS system costs.

In FY 2008, a direct appropriation of \$22.9 million is requested to include \$20.0 million for reutilization, transfer and disposal costs and \$2.0 million for DFAS system costs.

In FY 2009, a direct appropriation of \$28.4 million is requested to include \$25.8 million for reutilization, transfer and disposal costs and \$2.6 million for DFAS system costs.

UNDELIVERED ORDERS

Non-Energy (\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Undelivered Orders	5,198.0	4,223.9	3,946.9	3,756.7	3,627.0

Undelivered orders are projected to continue to decline over the budget years. As undelivered orders decline, inventory also declines. Cash is projected to increase over the budget years.

PERSONNEL

Personnel	FY 2006	FY 2007	FY 2008	FY 2009
End Strength				
Military	281	282	282	282
Civilian	10,873	11,240	11,136	10,865
Total	11,096	11,456	11,352	11,081
FTEs				
Military	281	282	282	282
Civilian	10,770	11,053	11,006	10,702
Total	10,993	11,269	11,222	10,918

The personnel numbers reflect a slight increase in FY 2007 due to interns coming on board.

CAPITAL BUDGET

	FY 2006	FY 2007	FY 2008	FY 2009
Equipment (non-ADP)	0.7	.8	2.0	1.9
Equipment (ADP/T)	10.9	5.6	13.1	11.2

Software	159.7	56.5	57.9	51.6
Minor Construction	1.0	3.4	3.4	2.5
Total	172.3	66.3	76.3	67.2

The capital budget funds investments that exceed the \$100,000 expense/investment criteria for the automated data processing equipment (ADPE), non-ADPE, software development and minor construction category.

The FY 2007 capital budget estimate of \$66.3 million reflects a decrease over the FY 2006 requirements in the amount of \$106 million. This reduction is primarily in the Software Development category as DLA's Enterprise Resource Planning (ERP) system, Business Systems Modernization (BSM), reaches Full Operational Capability in the first quarter of FY 2007.

The FY 2008 and FY 2009 capital budget estimates remain relatively constant at \$77.3 million and \$68.2 million. Investments in the ADP Equipment category in FY 2008 and FY 2009 are primarily for upgrades to the Defense Automated Addressing System Center (DAASC) infrastructure for data exchange, storage, and security requirements. In FY 2008 and FY 2009 DLA also continues development of the Common Food Management System (CFMS), the Integrated Data Environment (IDE), and replacement of the legacy procurement system in Business Systems Modernization (BSM) with the SAP eProcurement module.

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Non-Energy Management Activity Group
Fiscal Year (FY) FY 2008/2009 Budget Estimates
February 2007
FY 2006
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,830.4	2,196.5	2,215.3	1,963.7	0.0	0.0	1,963.7	0.0	1,963.7
MEDICAL	247.6	3,930.6	3,932.4	3,869.1	0.0	0.0	3,869.1	0.0	3,869.1
SUBSISTENCE	38.5	4,055.7	4,047.6	3,801.1	0.0	0.0	3,801.1	0.0	3,801.1
Construction & Equipment	611.5	2,039.8	2,177.9	2,073.8	0.0	0.0	2,073.8	0.0	2,073.8
AVIATION	5,748.1	3,245.2	3,194.4	3,061.2	0.0	0.0	3,061.2	0.0	3,061.2
Land	1,307.6	1,265.6	1,276.4	1,174.6	0.0	0.0	1,174.6	0.0	1,174.6
Maritime	2,756.2	1,550.1	1,563.3	1,515.2	0.0	0.0	1,515.2	0.0	1,515.2
BOS	1.9	9.1	9.1	8.6	0.0	0.0	8.6	0.0	8.6
DLIS	0.0	0.0	0.0	157.0	0.0	0.0	157.0	0.0	157.0
DAASC	0.0	0.0	0.0	39.9	0.0	0.0	39.9	0.0	39.9
Management Headquarters	0.0	0.0	0.0	171.0	0.0	0.0	171.0	0.0	171.0
Enterprise Operations	0.0	0.0	0.0	156.8	0.0	0.0	156.8	0.0	156.8
Enterprise Information Tech.	0.0	0.0	0.0	240.8	0.0	0.0	240.8	0.0	240.8
Central Fund	0.0	0.0	0.0	38.7	0.0	0.0	38.7	0.0	38.7
TOTAL Non-Energy Supply	12,541.8	18,292.6	18,416.4	18,271.5	0.0	0.0	18,271.5	0.0	18,271.5

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Non-Energy Management Activity Group
 Fiscal Year (FY) FY 2008/2009 Budget Estimates
 September 2006
 FY 2007
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,788.0	2,214.5	2,200.3	1,917.8	0.0	0.0	1,917.8	120.9	2,038.7
MEDICAL	237.1	4,104.3	4,106.0	4,023.8	0.0	0.0	4,023.8	970.7	4,994.5
SUBSISTENCE	25.3	3,814.9	3,814.9	3,584.3	0.0	0.0	3,584.3	14.1	3,598.4
Construction & Equipment	493.9	2,585.2	2,516.8	2,395.4	0.0	0.0	2,395.4	0.0	2,395.4
AVIATION	5,675.2	3,318.9	3,358.9	3,189.7	0.0	0.0	3,189.7	0.0	3,189.7
Land	1,246.0	1,608.9	1,612.5	1,499.9	0.0	0.0	1,499.9	0.7	1,500.6
Maritime	2,783.1	1,746.0	1,756.1	1,700.0	0.0	0.0	1,700.0	0.0	1,700.0
BOS	1.9	9.9	9.9	9.3	0.0	0.0	9.3	0.0	9.3
DLIS	0.0	0.0	0.0	163.2	0.0	0.0	163.2	0.0	163.2
DAASC	0.0	0.0	0.0	40.7	0.0	0.0	40.7	0.0	40.7
Management Headquarters	0.0	0.0	0.0	169.0	0.0	0.0	169.0	0.0	169.0
Enterprise Operations	0.0	0.0	0.0	184.0	0.0	0.0	184.0	0.0	184.0
Enterprise Information Tech.	0.0	0.0	0.0	188.3	0.0	0.0	188.3	0.0	188.3
Central Fund	0.0	0.0	0.0	313.2	0.0	0.0	313.2	0.0	313.2
TOTAL	12,250.5	19,402.6	19,375.4	19,378.6	0.0	0.0	19,378.6	1,106.4	20,485.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Non-Energy Management Activity Group
Fiscal Year (FY) FY 2008/2009 Budget Estimates
September 2006
FY 2008
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,729.8	2,021.4	2,068.0	1,903.4	0.0	0.0	1,903.4	284.9	2,188.3
MEDICAL	231.2	4,183.6	4,188.6	4,138.6	0.0	0.0	4,138.6	228.3	4,366.9
SUBSISTENCE	25.4	2,668.4	2,668.4	2,596.2	0.0	0.0	2,596.2	1,350.3	3,946.5
Construction & Equipment	496.9	2,473.6	2,468.6	2,402.4	0.0	0.0	2,402.4	153.4	2,555.8
AVIATION	5,587.3	3,367.7	3,364.5	3,221.0	0.0	0.0	3,221.0	204.9	3,425.9
Land	1,234.9	1,752.9	1,756.4	1,673.1	0.0	0.0	1,673.1	80.0	1,753.1
Maritime	2,836.8	1,792.8	1,791.0	1,747.8	0.0	0.0	1,747.8	97.5	1,845.3
BOS	1.9	10.1	10.1	9.5	0.0	0.0	9.5	0.0	9.5
DLIS	0.0	0.0	0.0	186.5	0.0	0.0	186.5	0.0	186.5
DAASC	0.0	0.0	0.0	48.7	0.0	0.0	48.7	0.0	48.7
Management Headquarters	0.0	0.0	0.0	178.9	0.0	0.0	178.9	0.0	178.9
Enterprise Operations	0.0	0.0	0.0	219.6	0.0	0.0	219.6	0.0	219.6
Enterprise Information Tech.	0.0	0.0	0.0	61.1	0.0	0.0	61.1	0.0	61.1
Central Fund	0.0	0.0	0.0	148.2	0.0	0.0	148.2	0.0	148.2
TOTAL	12,144.2	18,270.5	18,315.6	18,535.0	0.0	0.0	18,535.0	2,399.3	20,934.3

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Non-Energy Management Activity Group
 Fiscal Year (FY) FY 2008/2009 Budget Estimates
 September 2006
 FY 2009
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,640.9	1,822.6	1,848.3	1,699.7	0.0	0.0	1,699.7	245.6	1,945.3
MEDICAL	220.4	4,277.0	4,281.8	4,220.0	0.0	0.0	4,220.0	241.6	4,461.6
SUBSISTENCE	18.7	2,312.6	2,312.6	2,280.6	0.0	0.0	2,280.6	1,605.4	3,886.0
Construction & Equipment	501.5	2,430.0	2,438.2	2,377.5	0.0	0.0	2,377.5	161.6	2,539.1
AVIATION	5,471.7	3,333.3	3,333.4	3,209.7	0.0	0.0	3,209.7	219.0	3,428.7
Land	1,219.2	1,718.5	1,722.0	1,640.6	0.0	0.0	1,640.6	89.2	1,729.8
Maritime	2,887.3	1,806.5	1,808.0	1,768.3	0.0	0.0	1,768.3	110.0	1,878.3
BOS	1.9	10.1	10.1	9.5	0.0	0.0	9.5	0.0	9.5
DLIS	0.0	0.0	0.0	193.4	0.0	0.0	193.4	0.0	193.4
DAASC	0.0	0.0	0.0	50.8	0.0	0.0	50.8	0.0	50.8
Management Headquarters	0.0	0.0	0.0	176.1	0.0	0.0	176.1	0.0	176.1
Enterprise Operations	0.0	0.0	0.0	211.1	0.0	0.0	211.1	0.0	211.1
Enterprise Information Tech.	0.0	0.0	0.0	55.0	0.0	0.0	55.0	0.0	55.0
Central Fund	0.0	0.0	0.0	150.4	0.0	0.0	150.4	0.0	150.4
TOTAL	11,961.6	17,710.6	17,754.4	18,042.7	0.0	0.0	18,042.7	2,672.4	20,715.1

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 FY 2006 Inventory Status
 (\$ in millions)

Non-Energy Supply	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	11,852.2	229.8	6,633.2	4,989.2
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	-29.3	-766.5	795.8
b. Price Change Amount (Memo)	-25.7	0.0	-25.7	0.0
c. Inventory Reclassified and Repriced	11,826.5	200.5	5,841.0	5,785.0
RECEIPTS AT COST	16,733.8	542.7	16,191.1	0.0
GROSS SALES AT COST	-16,384.0	-347.2	-16,036.8	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	17.7	0.0	4.8	12.9
Transfer to other DLA ICPs	-29.4	0.0	-20.3	-9.1
Transfer from other DLA ICPs	47.1	0.0	25.1	22.0
b. Returns from Customers for Credit	163.7	0.0	163.7	0.0
c. Returns for Customers without Credit	463.7	1.1	6.5	456.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-210.4	-1.7	-5.0	-203.7
f. Issues/Receipts without Reimbursement (+/-)	-103.5	-7.4	-94.0	-2.1
g. Other (List and Explain)	433.0	10.5	456.3	-33.9
h. Total Adjustments	764.1	2.6	532.3	229.2
INVENTORY - End of Period (EOP)	12,940.4	398.6	6,527.6	6,014.2
INVENTORY ON ORDER EOP	4,223.9	82.3	4,141.6	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007
FY 2007 Inventory Status
(\$ in millions)

Non-Energy Supply	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	12,940.4	398.6	6,527.6	6,014.2
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	12,940.4	398.6	6,527.6	6,014.2
RECEIPTS AT COST	16,425.0	290.2	16,134.8	0.0
GROSS SALES AT COST	-16,806.1	-275.0	-16,531.1	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	2.0	0.0	1.0	1.0
Transfer to other DLA ICPs	-5.0	0.0	-3.0	-2.0
Transfer from other DLA ICPs	7.0	0.0	4.0	3.0
b. Returns from Customers for Credit	55.1	0.0	50.9	4.2
c. Returns for Customers without Credit	299.2	1.0	59.7	238.5
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-218.6	-1.0	0.0	-217.6
f. Issues/Receipts without Reimbursement (+/-)	-16.5	0.0	-14.7	-1.8
g. Other (List and Explain)	-12.8	3.5	34.1	-50.4
h. Total Adjustments	108.5	3.5	131.0	-26.1
INVENTORY - End of Period (EOP)	12,667.8	417.3	6,262.4	5,988.1
INVENTORY ON ORDER EOP	3,946.9	67.1	3,879.8	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007
FY 2008 Inventory Status
(\$ in millions)

Non-Energy Supply	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	12,667.8	417.3	6,262.4	5,988.1
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	51.0	-51.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	12,667.8	417.3	6,313.4	5,937.1
RECEIPTS AT COST	15,586.9	275.4	15,311.5	0.0
GROSS SALES AT COST	-15,885.0	-267.6	-15,617.4	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	2.0	0.0	1.0	1.0
Transfer to other DLA ICPs	-6.0	0.0	-3.0	-3.0
Transfer from other DLA ICPs	8.0	0.0	4.0	4.0
b. Returns from Customers for Credit	155.0	0.0	150.0	5.0
c. Returns for Customers without Credit	286.0	1.0	50.9	234.1
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-219.8	-1.0	0.0	-218.8
f. Issues/Receipts without Reimbursement (+/-)	-15.2	0.0	-12.5	-2.7
g. Other (List and Explain)	-3.7	4.7	86.3	-94.7
h. Total Adjustments	204.3	4.7	275.7	-76.1
INVENTORY - End of Period (EOP)	12,574.0	429.8	6,283.2	5,861.0
INVENTORY ON ORDER EOP	3,756.7	59.3	3,697.4	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007
FY 2009 Inventory Status
(\$ in millions)

Non-Energy Supply	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	12,574.0	429.8	6,283.2	5,861.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	54.0	-54.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	12,574.0	429.8	6,337.2	5,807.0
RECEIPTS AT COST	15,093.4	280.9	14,812.5	0.0
GROSS SALES AT COST	-15,461.3	-273.2	-15,188.1	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	5.0	0.0	0.0	5.0
Transfer to other DLA ICPs	-6.0	0.0	-3.0	-3.0
Transfer from other DLA ICPs	11.0	0.0	3.0	8.0
b. Returns from Customers for Credit	155.0	0.0	138.7	16.3
c. Returns for Customers without Credit	285.9	1.0	53.9	231.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-230.1	-1.0	0.0	-229.1
f. Issues/Receipts without Reimbursement (+/-)	-14.3	0.0	-11.7	-2.6
g. Other (List and Explain)	-2.8	5.8	13.9	-22.5
h. Total Adjustments	198.7	5.8	194.8	-1.9
INVENTORY - End of Period (EOP)	12,404.8	443.3	6,156.4	5,805.2
INVENTORY ON ORDER EOP	3,627.0	51.6	3,575.3	0.0

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Supply Non-Energy Total	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	15,943.5	16,861.4	15,755.1	16,035.4	15,611.6
2. Less: Materiel Inflation Adjustment	272.0	371.0	346.6	384.9	359.1
3. Revised Net Sales @ Cost	15,671.5	16,490.5	15,408.5	15,650.6	15,252.6
4. Surcharge (\$)	2,295.3	2,107.5	2,268.7	2,270.0	2,132.6
5. Change to Customers					
a. Previous Year's Surcharge (%)	15.0%	14.4%	14.4%	14.4%	14.2%
b. This Year's Surcharge (\$) divided by line 3 above	14.4%	12.5%	14.4%	14.2%	13.7%
c. Percent Change to Customer	1.2%	0.6%	2.3%	2.2%	1.9%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Troop Support Summary	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	10,080.8	11,395.3	10,639.7	10,667.5	10,227.2
2. Less: Materiel Inflation Adjustment	201.6	250.7	234.1	256.0	235.2
3. Revised Net Sales @ Cost	9,879.2	11,144.6	10,405.6	10,411.5	9,992.0
4. Surcharge (\$)	794.1	832.8	907.4	726.0	653.5
5. Change to Customers					
a. Previous Year's Surcharge (%)	8.4%	7.9%	7.3%	8.5%	6.8%
b. This Year's Surcharge (\$) divided by line 3 above	7.9%	7.3%	8.5%	6.8%	6.4%
c. Percent Change to Customer	1.6%	1.7%	3.4%	0.8%	2.0%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Clothing and Textiles	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	2,235.3	2,156.3	1,951.0	1,884.5	1,698.8
2. Less: Materiel Inflation Adjustment	44.7	47.4	42.9	45.2	39.1
3. Revised Net Sales @ Cost	2,190.6	2,108.9	1,908.1	1,839.2	1,659.7
4. Surcharge (\$)	201.2	190.8	197.1	183.5	149.5
5. Change to Customers					
a. Previous Year's Surcharge (%)	9.0%	9.0%	9.0%	10.1%	9.7%
b. This Year's Surcharge (\$) divided by line 3 above	9.0%	8.8%	10.1%	9.7%	8.8%
c. Percent Change to Customer	2.0%	2.1%	3.3%	2.1%	1.5%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Medical	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	3,485.1	3,770.1	3,776.1	4,030.1	4,123.7
2. Less: Materiel Inflation Adjustment	69.7	82.9	83.1	96.7	94.8
3. Revised Net Sales @ Cost	3,415.4	3,687.2	3,693.0	3,933.4	4,028.8
4. Surcharge (\$)	161.3	156.4	184.4	158.5	158.0
5. Change to Customers					
a. Previous Year's Surcharge (%)	4.8%	4.6%	4.6%	4.9%	3.9%
b. This Year's Surcharge (\$) divided by line 3 above	4.6%	4.1%	4.9%	3.9%	3.8%
c. Percent Change to Customer	1.9%	1.8%	2.5%	1.5%	2.3%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Subsistence	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	2,014.6	2,943.6	2,649.6	2,489.2	2,162.7
2. Less: Materiel Inflation Adjustment	40.3	64.8	58.3	59.7	49.7
3. Revised Net Sales @ Cost	1,974.3	2,878.9	2,591.3	2,429.5	2,112.9
4. Surcharge (\$)	215.4	272.2	290.1	179.2	149.9
5. Change to Customers					
a. Previous Year's Surcharge (%)	11.1%	10.7%	10.7%	10.9%	7.2%
b. This Year's Surcharge (\$) divided by line 3 above	10.7%	9.2%	10.9%	7.2%	6.9%
c. Percent Change to Customer	1.7%	0.9%	2.5%	-1.0%	2.1%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Construction & Equipment	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	2,345.8	2,525.3	2,263.0	2,263.7	2,242.1
2. Less: Materiel Inflation Adjustment	46.9	55.6	49.8	54.3	51.6
3. Revised Net Sales @ Cost	2,298.9	2,469.7	2,213.2	2,209.4	2,190.5
4. Surcharge (\$)	216.2	213.4	235.8	204.9	196.1
5. Change to Customers					
a. Previous Year's Surcharge (%)	10.4%	9.2%	9.2%	10.4%	9.1%
b. This Year's Surcharge (\$) divided by line 3 above	9.2%	8.5%	10.4%	9.1%	8.7%
c. Percent Change to Customer	1.0%	1.5%	3.4%	1.2%	2.1%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Weapon Systems Summary	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	5,862.7	5,466.1	5,115.4	5,367.9	5,384.4
2. Less: Materiel Inflation Adjustment	70.4	120.3	112.5	128.8	123.8
3. Revised Net Sales @ Cost	5,792.3	5,345.8	5,002.9	5,239.1	5,260.6
4. Surcharge (\$)	1,501.2	1,274.7	1,361.3	1,544.0	1,479.1
5. Change to Customers					
a. Previous Year's Surcharge (%)	23.8%	25.6%	25.6%	26.6%	28.8%
b. This Year's Surcharge (\$) divided by line 3 above	25.6%	23.3%	26.6%	28.8%	27.5%
c. Percent Change to Customer	2.7%	0.4%	3.1%	4.2%	1.3%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Aviation	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	3,192.9	2,860.0	2,600.4	2,609.2	2,609.8
2. Less: Materiel Inflation Adjustment	17.0	62.9	57.2	62.6	60.0
3. Revised Net Sales @ Cost	3,175.9	2,797.1	2,543.2	2,546.6	2,549.8
4. Surcharge (\$)	805.2	665.0	712.5	755.3	723.6
5. Change to Customers					
a. Previous Year's Surcharge (%)	21.7%	25.2%	25.2%	27.4%	28.9%
b. This Year's Surcharge (\$) divided by line 3 above	25.2%	23.3%	27.4%	28.9%	27.7%
c. Percent Change to Customer	3.5%	0.6%	4.0%	3.7%	1.4%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Land	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	1,239.7	1,234.1	1,209.1	1,402.5	1,390.6
2. Less: Materiel Inflation Adjustment	24.8	27.2	26.6	33.7	32.0
3. Revised Net Sales @ Cost	1,214.9	1,206.9	1,182.5	1,368.9	1,358.6
4. Surcharge (\$)	283.1	252.3	269.4	353.9	331.5
5. Change to Customers					
a. Previous Year's Surcharge (%)	23.3%	22.8%	22.8%	22.3%	25.2%
b. This Year's Surcharge (\$) divided by line 3 above	22.8%	20.4%	22.3%	25.2%	23.8%
c. Percent Change to Customer	1.7%	0.3%	1.8%	4.9%	1.2%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Maritime	FY 2006	FY 2007	Adjusted FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	1,430.1	1,372.0	1,305.9	1,356.2	1,384.0
2. Less: Materiel Inflation Adjustment	28.6	30.2	28.7	32.5	31.8
3. Revised Net Sales @ Cost	1,401.5	1,341.8	1,277.2	1,323.6	1,352.2
4. Surcharge (\$)	412.9	357.4	379.4	434.8	424.0
5. Change to Customers					
a. Previous Year's Surcharge (%)	28.7%	28.9%	28.9%	29.1%	32.1%
b. This Year's Surcharge (\$)	28.9%	26.0%	29.1%	32.1%	30.6%
c. Percent Change to Customer	2.2%	0.0%	2.4%	4.8%	1.2%

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2006

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	229.8	175.9	53.9
2. Price Change	-	-	-
3. Reclassification	(29.3)	-	(29.3)
4. Inventory Changes			
a. Receipts @ cost	543.8	543.8	-
(1). Purchases	542.7	542.7	-
(2). Returns from customers	1.1	1.1	-
b. Issues @ cost	(348.9)	(348.9)	-
(1). Sales	(347.2)	(347.2)	-
(2). Returns to suppliers	-	-	-
(3). Disposals	(1.7)	(1.7)	-
c. Adjustments @ cost	3.2	18.3	(15.1)
(1). Capitalizations	-	-	-
(2). Gains and Losses	(7.4)	(7.4)	-
(3). Other	10.6	25.7	(15.1)
5. Inventory EOP	398.6	389.1	9.5
WRM STOCKPILE COSTS			
1. Storage	19.4	18.9	0.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	19.4	18.9	0.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	562.1	561.6	0.5
a. Additional WRM	-	-	-
b. Replen. WRM	542.7	542.7	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	19.4	18.9	0.5
Total Request	562.1	561.6	0.5

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Troop Support
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2006

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	189.6	175.9	13.7
2. Price Change	-	-	-
3. Reclassification	(1.8)	-	(1.8)
4. Inventory Changes			
a. Receipts @ cost	543.8	543.8	-
(1). Purchases	542.7	542.7	-
(2). Returns from customers	1.1	1.1	-
b. Issues @ cost	(348.9)	(348.9)	-
(1). Sales	(347.2)	(347.2)	-
(2). Returns to suppliers	-	-	-
(3). Disposals	(1.7)	(1.7)	-
c. Adjustments @ cost	14.4	18.3	(3.9)
(1). Capitalizations	-	-	-
(2). Gains and Losses	(7.4)	(7.4)	-
(3). Other	21.8	25.7	(3.9)
5. Inventory EOP	397.1	389.1	8.0
WRM STOCKPILE COSTS			
1. Storage	19.3	18.9	0.4
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	19.3	18.9	0.4
WRM BUDGET REQUEST			
1. Obligations @ Cost	562.0	561.6	0.4
a. Additional WRM	-	-	-
b. Replen. WRM	542.7	542.7	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	19.3	18.9	0.4
Total Request	562.0	561.6	0.4

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Weapon System
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2006

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	40.2	-	40.2
2. Price Change	-	-	-
3. Reclassification	(27.5)	-	(27.5)
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	(11.2)	-	(11.2)
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	(11.2)	-	(11.2)
5. Inventory EOP	1.5	-	1.5
WRM STOCKPILE COSTS			
1. Storage	0.1	-	0.1
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.1	-	0.1
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.1	-	0.1
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	0.1	-	0.1
Total Request	0.1	-	0.1

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	398.6	389.1	9.5
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	290.2	290.2	-
(1). Purchases	290.2	290.2	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(275.0)	(275.0)	-
(1). Sales	(275.0)	(275.0)	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	3.5	-	3.5
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	3.5	-	3.5
5. Inventory EOP	417.3	404.3	13.0
WRM STOCKPILE COSTS			
1. Storage	16.3	15.8	0.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	16.3	15.8	0.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	306.5	306.0	0.5
a. Additional WRM	-	-	-
b. Replen. WRM	290.2	290.2	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	16.3	15.8	0.5
Total Request	306.5	306.0	0.5

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Troop Support
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	397.1	389.1	8.0
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	290.2	290.2	-
(1). Purchases	290.2	290.2	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(275.0)	(275.0)	-
(1). Sales	(275.0)	(275.0)	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	3.5	-	3.5
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	3.5	-	3.5
5. Inventory EOP	415.8	404.3	11.5
WRM STOCKPILE COSTS			
1. Storage	16.2	15.8	0.4
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	16.2	15.8	0.4
WRM BUDGET REQUEST			
1. Obligations @ Cost	306.4	306.0	0.4
a. Additional WRM	-	-	-
b. Replen. WRM	290.2	290.2	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	16.2	15.8	0.4
Total Request	306.4	306.0	0.4

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Weapon System
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.5	-	1.5
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	-	-	-
5. Inventory EOP	1.5	-	1.5
WRM STOCKPILE COSTS			
1. Storage	0.1	-	0.1
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.1	-	0.1
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.1	-	0.1
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	0.1	-	0.1
Total Request	0.1	-	0.1

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2008

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	417.3	404.3	13.0
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	275.4	275.4	-
(1). Purchases	275.4	275.4	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(267.6)	(267.6)	-
(1). Sales	(267.6)	(267.6)	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	4.7	-	4.7
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	4.7	-	4.7
5. Inventory EOP	429.8	412.1	17.7
WRM STOCKPILE COSTS			
1. Storage	15.6	15.0	0.6
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	15.6	15.0	0.6
WRM BUDGET REQUEST			
1. Obligations @ Cost	291.0	290.4	0.6
a. Additional WRM	-	-	-
b. Replen. WRM	275.4	275.4	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	15.6	15.0	0.6
Total Request	291.0	290.4	0.6

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Troop Support
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2008

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	415.8	404.3	11.5
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	275.4	275.4	-
(1). Purchases	275.4	275.4	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(267.6)	(267.6)	-
(1). Sales	(267.6)	(267.6)	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	4.7	-	4.7
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	4.7	-	4.7
5. Inventory EOP	428.3	412.1	16.2
WRM STOCKPILE COSTS			
1. Storage	15.5	15.0	0.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	15.5	15.0	0.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	290.9	290.4	0.5
a. Additional WRM	-	-	-
b. Replen. WRM	275.4	275.4	
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	15.5	15.0	0.5
Total Request	290.9	290.4	0.5

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Weapon System
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2008

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.5	-	1.5
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	-	-	-
5. Inventory EOP	1.5	-	1.5
WRM STOCKPILE COSTS			
1. Storage	0.1	-	0.1
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.1	-	0.1
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.1	-	0.1
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	0.1	-	0.1
Total Request	0.1	-	0.1

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2009

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	429.8	412.1	17.7
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	280.9	280.9	-
(1). Purchases	280.9	280.9	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(273.2)	(273.2)	-
(1). Sales	(273.2)	(273.2)	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	5.8	-	5.8
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	5.8	-	5.8
5. Inventory EOP	443.3	419.8	23.5
WRM STOCKPILE COSTS			
1. Storage	16.3	15.4	0.9
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	16.3	15.4	0.9
WRM BUDGET REQUEST			
1. Obligations @ Cost	297.2	296.3	0.9
a. Additional WRM	-	-	-
b. Replen. WRM	280.9	280.9	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	16.3	15.4	0.9
Total Request	297.2	296.3	0.9

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Troop Support
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2009

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	428.3	412.1	16.2
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	280.9	280.9	-
(1). Purchases	280.9	280.9	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(273.2)	(273.2)	-
(1). Sales	(273.2)	(273.2)	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	5.8	-	5.8
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	5.8	-	5.8
5. Inventory EOP	441.8	419.8	22.0
WRM STOCKPILE COSTS			
1. Storage	16.2	15.4	0.8
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	16.2	15.4	0.8
WRM BUDGET REQUEST			
1. Obligations @ Cost	297.1	296.3	0.8
a. Additional WRM	-	-	-
b. Replen. WRM	280.9	280.9	
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	16.2	15.4	0.8
Total Request	297.1	296.3	0.8

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Weapon System
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material Stockpile
February 2007
FY 2009

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.5	-	1.5
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3). Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3). Other	-	-	-
5. Inventory EOP	1.5	-	1.5
WRM STOCKPILE COSTS			
1. Storage	0.1	-	0.1
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.1	-	0.1
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.1	-	0.1
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	0.1	-	0.1
Total Request	0.1	-	0.1

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Activity Group
 Source of New Orders and Revenue
 Fiscal Year (FY) 2008/2009 Budget Estimates
 February 2007
 Total Non-Energy
 (Dollars in Millions)

	FY 2006	FY 2007	FY 2008	FY 2009
1. New Orders				
a. Orders from DoD Components	17,076.4	17,679.3	16,586.6	16,092.2
Army	7,792.9	8,838.3	7,675.5	7,368.7
Navy	3,073.0	3,216.5	3,227.0	3,162.2
Air Force	3,677.3	3,686.8	3,692.6	3,632.1
Marine Corps	831.9	853.6	831.5	800.5
Other	1,410.3	1,084.0	1,159.9	1,128.6
DECA	291.0	0.1	0.1	0.1
b. Orders from Other Activity Groups	380.4	414.3	400.1	378.1
c. Total DoD	17,456.8	18,093.6	16,986.7	16,470.3
d. Other Orders:	1,014.2	1,393.8	1,467.4	1,423.6
Other Federal Agencies	476.7	527.2	589.1	559.4
Non-Federal Agencies	191.2	332.6	330.5	322.7
Foreign Military Sales	346.3	534.0	547.8	541.5
Total New Orders	18,471.0	19,487.4	18,454.1	17,893.9
2. Carry-In Orders	2,341.2	1,946.1	1,961.6	1,917.2
3. Total Gross Orders	20,812.2	21,433.5	20,415.7	19,811.1
4. Carry-Out Orders (-)	2,217.5	1,973.4	1,916.6	1,873.5
5. Gross Sales (-)	18,594.7	19,460.1	18,499.1	17,937.6
6. Credits and Allowances (-)	178.3	84.7	183.5	183.3
7. Net Sales	18,416.4	19,375.4	18,315.6	17,754.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
Revenue and Expenses
February 2007
(\$ in millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue:				
Gross Sales @ Standard	18,594.7	19,460.1	18,499.1	17,937.6
Operations	18,451.2	19,444.1	18,544.0	17,985.1
Capital Surcharge	132.6	2.2	-60.6	-64.9
Depreciation	10.9	13.8	15.7	17.4
Other Income	565.9	828.3	931.0	924.2
Refunds/Discounts (-)	-178.3	-84.7	-183.5	-183.3
Total Income:	18,982.3	20,203.7	19,246.6	18,678.5
Expenses:				
Cost of Material Sold from Inventory	16,220.4	16,751.0	15,730.0	15,306.4
Salaries and Wages:				
Military Personnel Compensation & Benefits	24.4	22.2	25.2	25.7
Civilian Personnel Compensation & Benefits	817.5	955.1	975.2	977.8
Travel & Transportation of Personnel	30.4	32.8	32.5	33.1
Materials & Supplies (For Internal Operations)	90.1	89.9	84.1	71.4
Equipment	92.8	109.0	111.6	113.4
Other Purchases from Revolving Funds	670.2	858.9	844.1	827.0
Transportation of Things	142.4	86.0	66.0	64.6
Depreciation - Capital	89.7	110.6	126.0	126.1
Printing and Reproduction	9.8	13.1	12.0	11.8
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Communication, Utilities & Misc. Charges	58.8	63.3	78.1	76.1
Other Purchased Services	717.6	880.9	909.3	878.2
Total Expenses	18,964.1	19,972.8	18,994.1	18,511.6
Operating Result	18.2	230.9	252.5	166.9
Less Capital Surcharge Reservation	-132.6	-2.2	60.6	64.9
Plus Passthroughs or Other Appropriations Affecting NOR	84.3	17.6	22.9	28.4
Other Changes Affecting NOR	-547.9	-605.5	-136.4	-62.5
Net Operating Result	-578.0	-359.2	199.6	197.7
Prior Year AOR	539.9	-38.1	-397.3	-197.7
Other Changes Affecting AOR				
Accumulated Operating Result	-38.1	-397.3	-197.7	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy
FISCAL YEAR (FY) 2008/2009 Budget Estimates
February 2007

FUNCTIONAL DESCRIPTION

The Defense Energy Support Center (DESC) located at Fort Belvoir, Virginia, provides comprehensive worldwide energy support for the military services and other authorized customers and serves as the Department's Executive Agent for the bulk petroleum supply chain. Energy business includes sales of petroleum and aerospace missile fuels; electricity and natural gas products; assistance to the services regarding privatization of their utility systems; 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.

BUDGET HIGHLIGHTS

Fuel market price volatility resulting from growing world demand, limited refining capacity, regional political instabilities, and the lingering impact of prior year hurricane damage on the U.S. refining industry drove significant Department of Defense (DoD) fuel losses in FY 2006. These losses were substantially funded from the FY 2006 Supplemental. The current budget estimate reflects moderate adjustments in fuel cost assumptions in all years and are in line with recent market history and current projections of future costs.

**Defense Working Capital Fund Direct Appropriations for Energy:
(including supplementals):**

Direct appropriations for Energy which were provided in FY 2006, as well as those requested in FY 2007 and FY 2008, are detailed in the following table and narrative. With the exception of the Hurricane Katrina Supplemental in FY 2006, the appropriation requests below are in support of the Global War on Terrorism (GWOT) in Iraq and Afghanistan.

These estimates were prepared prior to the President's decision to deploy additional forces to Iraq.

DWCF Energy Appropriations (\$ in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Increased Fuel Costs	\$2,200.0	\$0.0	\$0.0	\$0.0
Iraq/Afghan Fuel Transportation	107.0	192.1	192.1	0.0
Hurricane Supplemental	15.0	0.0	0.0	0.0
Pipeline/Terminal Operations		16.1	16.1	0.0
Combat Fuel Losses		87.9	86.8	0.0
Total Appropriations	\$2,322.0	\$296.1	\$295.0	\$0.0

FY 2006

Fuel Costs - Title IX of the Department of Defense (DoD) Appropriations Act, 2006 (P.L. 109-148) appropriated \$2.2 billion to the Defense Working Capital Fund (DWCF) to fund unanticipated fuel cost increases. In FY 2006 the DWCF increased the DWCF fuel rates to customers commensurate with DWCF fuel costs increases. As a result, \$1,721.4 million of the \$2.2 billion appropriation was transferred from the DWCF to the Military Services to pay higher DWCF fuel rates.

Iraq/Afghanistan Fuel Transportation - Title IX of the Department of Defense (DoD) Appropriations Act, 2006 (P.L. 109-148), appropriated \$107 million to the DWCF to fund costs of transportation and delivery of fuel to the U.S. Forces in Iraq.

Hurricane Supplemental - \$15.0 million of funding provided in the Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising From the Consequences of Hurricane Katrina, 2005 (P.L. 109-62), was reprogrammed from Operations and Maintenance accounts to the DWCF to repair fuel facilities damaged by Hurricane Katrina.

FY 2007

Iraq/Afghanistan Fuel Transportation - The DWCF continues to fund transportation into theaters of operation in Iraq, \$107 million. In addition, the DESC is responsible for fuel transportation to U.S. Forces in Afghanistan, a mission previously funded by Operations and Maintenance funds, and is requesting \$82.2 million in supplemental funding to support this mission.

Transportation costs to deliver fuel products to U.S. military forces into these countries are significantly higher than anywhere else in the world because of poor road conditions, weather delays, and insurgent attacks.

Operation Iraqi Freedom (OIF) locations are supported via tank truck deliveries require extended duration delivery times (ranging from two to fifteen days, depending on the location.) Operation Enduring Freedom (OEF) supported sites require a multi-day delivery via tank truck sometimes exceeding 10 days one-way and up to 23 days from sourcing locations to the north of Afghanistan.

In addition, transportation costs are requested to deliver helium to Iraq (\$2.9 million) in support of the Army's Rapid Aerostat Initial Deployment and the Persistent Threat Detection System. Both programs use cameras and sensor packages attached to balloons which provide visual and radar tracking.

Pipeline/Terminal Operations - Funding is requested to fund costs associated with increased fuel throughput at an existing in-theater pipeline, fund usage fees associated with a new in-theater pipeline, and establish a new in-theater storage terminal operation in Afghanistan. Pipeline use, where available, proves to be the safest and most economical fuel delivery system. This requirement supports U.S. Forces operating in Iraq and Afghanistan. The petroleum used in these pipelines and storage terminals is essential to prosecution of the OEF/OIF campaigns and the overall Global War on Terrorism.

Combat Fuel Losses - OEF/OIF tactical fuel sites holding Defense Logistics Agency capitalized fuel have experienced higher losses than fixed base facilities for reasons outlined below. In FY 2006 combat fuel loss was one million barrels. Similar losses are expected in FY 2007.

The storage at these sites consists of flexible bag storage systems. The high temperatures that occur (above 120 degrees in many places during the warmer months) promote higher levels of evaporation. In addition, transportation losses occur where fuel product is lost. Locations which are supported via tank truck deliveries require extended duration delivery times (ranging from two to 15 days depending on the location). Depending on the security situation, escorted fuel delivery vehicles that suffer a mechanical breakdown may be abandoned. In these cases the vehicle and product load are often destroyed to prevent them from being used by the enemy. The increased journey time, coupled with rough unimproved roads in many locations, also result in losses above the expected norm. Combat fuel losses also include insurgent attacks, theft, failure to account for issues, and spillage. All losses are reflected as a single inventory adjustment at the end of the month.

FY 2008

Iraq/Afghanistan Fuel Transportation - This is a continuation of the fuel transportation mission outlined in the previous section.

Pipeline/Terminal Operations - This is a continuation of the pipeline/terminal operations mission outlined in the previous section.

Combat Fuel Losses - This is a continuation of the combat fuel losses requirement outlined in the previous section. The amount has been adjusted based on projected market cost for the same quantity (one million barrels).

FUEL CLAIMS

The Defense Energy Support Center (DESC) won a significant victory in the federal appeals court. In late April 2005, the U.S. Court of Appeals for the Federal Circuit reversed two lower court decisions which had declared illegal the market index-based pricing method DESC uses in bulk fuel purchase contracts. Had DESC lost the appeals and the initial rulings stood, it would have opened DESC up to \$3 billion in claims. Litigation had been ongoing since 1992. As a result of the appeal court's precedential ruling, 26 cases pending in Federal Claims were dismissed and judgment entered for the federal government. Nonetheless, the plaintiffs are attempting to go forward on other counts in their complaints and have asked for a rehearing by the full Court of Appeals. The current budget submit does not include any costs associated with any future claim as they are contingent liabilities. This information is provided for informational purposes only.

PERFORMANCE INDICATORS

Energy: Net Barrels Sold

Energy measures its workload in terms of net barrels sold. Net barrels sold reflect requirements provided to the DESC by the military services and other authorized customers. The following table displays net barrels sold over the budget period. Sales estimates reflect support of continuing operations in Iraq and Afghanistan.

(Barrels in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Energy - Net barrels sold	133.9	132.7	133.0	130.0

Net Operating Results (NOR):

Energy NOR (\$ in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Revenue	\$12,444	\$12,353	\$12,594	\$12,408
Expenses	\$12,655	\$12,657	\$12,496	\$12,020
Cost of Goods Sold	\$11,391	\$11,158	\$10,944	\$10,601
Operations	\$1,264	\$1,499	\$1,552	\$1,419
Operating Result	(\$211)	(\$304)	\$98	\$388
Other Changes Affecting NOR				
Appropriations				
Fuel Costs	\$2,200	0	0	0
Fuel Transportation	\$107	\$192	\$192	0
Hurricane Supplemental	\$15	0	0	0
Transfers	(\$1,736)	(\$375)	0	0
Pipeline/Terminal Ops	0	\$16	\$16	0
Combat Losses	0	\$88	\$87	0
Capital Surcharge	(\$14)	(\$32)	(\$36)	(\$33)
Net Operating Results	\$361	(\$415)	\$357	\$355
Prior Year Accumulated Operating Results	(\$390)	(\$29)	(\$444)	(\$86)
Ending Accumulated Operating Results	(\$29)	(\$444)	(\$86)*	\$269

*Note: Does not add due to rounding.

The FY 2006 Energy Net Operating Result reflects the receipt of \$2.2 billion appropriated to the Defense Working Capital Fund in Title IX of the Department of Defense Appropriations Act, 2006 (P.L. 109-148) to finance fuel price increases. The majority of the funding was subsequently transferred to DoD fuel customers to pay for higher fuel rates. FY 2006 also includes an allocated expense of \$0.6 million for civilian leave accrual.

The FY 2007 Energy Net Operating Result of -\$415 million reflects the continued, although lesser, impact of higher product costs and the final transfer of Title IX funding to customer accounts. It also reflects unanticipated retroactive adjustments for fuel and transportation services purchased in FY 2005 and FY 2006 in accordance with related contracts and international memoranda of agreement.

The FY 2008 and FY 2009 Energy Net Operating Results of \$357 million and \$355 million, respectively, reflect anticipated

leveling of product costs and recovery of prior year losses in the Aerospace Fuels business area.

UNIT COST

Unit cost for petroleum products is the per barrel cost for refined fuel purchased by DESC.

Energy Petroleum Unit Cost	FY 2006	FY 2007	FY 2008	FY 2009
Unit Cost Goal (Dollars per barrel)	\$88.41	\$83.58	\$89.88	\$88.60

Energy Pricing (Petroleum):

The Department of Defense petroleum pricing is based on crude oil forecasts provided by the Office of Management and Budget (OMB). The OMB establishes crude petroleum rates based on market futures data from the New York Mercantile Exchange. The current budget estimate reflects stabilizing of product cost assumptions in all years with only moderate year-to-year fluctuations.

In FY 2006, in the face of wildly fluctuating market prices, DoD adjusted its internal fuel price three times to ensure DWCF cash solvency and in reaction to world fuel market price increases. In October the price to the DoD customers was set at \$89.88 per barrel; in February the price was lowered to \$84.00 per barrel to reflect the receipt of the fuel supplemental funding and based on market stabilization; in the third quarter of FY 2006, world market once again reached record highs and in June of 2006 the DoD fuel price was increased to \$106.26 per barrel. Overall, the cumulative composite price to the customer was \$91.40 per barrel.

The following table provides the standard price forecasts for FY 2007 through FY 2009.

Energy	FY 2007	FY 2008	FY 2009
Standard Price for Petroleum (\$/barrel)	\$96.60*	\$91.14	\$91.56

*Note: If the recent downward trend in the world fuel market continues, DoD may reprice fuel in FY 2007, if appropriate.

INVENTORY

The DESC inventory objective is 60.2 million barrels, of which 33.4 million barrels are war reserve material (WRM). In FY 2006, DESC started with an inventory of 59.3 million barrels, which was 0.9 million barrels below the objective. FY 2006 inventory further decreased by 1.2 million barrels as a result of operations in the Middle East and DLA cash constraints, ending the year at 58.2 million barrels, or 2 million barrels below the objective. The current budget submission funds the reconstitution of inventory to the objective in FY 2007 as the cash situation permits. In addition, this budget reclassifies existing inventory so that War Reserve Material (also referred as Mobilization) increases slightly from 33.4 million barrels to 34.5 million barrels without an overall increase in inventory.

In the following table, "normal losses" refers to spills, evaporation, shrinkage, and contamination. Combat losses occur when OEF/OIF tactical fuel bag farms experience fuel losses resulting from product evaporation caused by high in-theater temperatures, and fuel losses experienced in transport. Transportation losses occur when vehicles experience mechanical problems or are disabled by enemy action. In either case, if the vehicle is unable to continue, the product is destroyed to preclude enemy forces from obtaining the fuel.

Energy Inventory (Barrels in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
<u>Beginning Inventory</u>	<u>59.3</u>	<u>58.2</u>	<u>60.2</u>	<u>60.2</u>
Peacetime Operating	25.9	24.8	25.7	25.7
War Reserve	33.4	33.4	34.5	34.5
Receipts	134.2	136.7	135.0	132.0
Sales (Gross)	(139.6)	(138.7)	(139.0)	(136.0)
Returns for Credit	5.7	6.0	6.0	6.0
Returns without Credit	1.1	1.0	1.0	0
Capitalization				
Normal Losses	(1.5)	(2.0)	(2.0)	(2.0)
Combat Losses	(1.0)	(1.0)	(1.0)	0
<u>Ending Inventory</u>	<u>58.2</u>	<u>60.2</u>	<u>60.2</u>	<u>60.2</u>
Peacetime Operating	24.8	25.7	25.7	25.7
War Reserve	33.4	34.5	34.5	34.5

CASH:

Pricing decisions and workload estimates result in estimates for cash collections, disbursements, and net outlays. Outlays are also affected by timing of disbursements and collections within the systems which support the transactions.

Energy Cash (\$ in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Disbursements	\$12,426	\$12,588	\$12,458	\$12,056
Collections	(\$12,516)	(\$12,174)	(\$12,377)	(\$12,172)
Net Outlays	(\$90)	\$414	\$81	(\$116)
Appropriations	(\$2,322)	(\$296)	(\$295)	\$0
Transfers	\$1,736	\$375	\$0	\$0
Accounting Adjustments	\$0	\$43	\$0	\$0
Adjusted Outlays	(\$676)	\$536	(\$214)	(\$116)

In addition to cash outlays, funding has been received through direct appropriations to offset some of the effects of higher market prices for fuels and incremental costs associated with the Global War on Terrorism (GWOT). Accounting adjustments reflect retroactive price adjustments and collections of prior year billings.

PERSONNEL

A full-time equivalent (FTE) reflects one year's worth of effort measured in hours. This is calculated by dividing the total actual hours worked (excluding overtime and holidays) by the available hours to work in that year. Defense Energy Support Center's (DESC) civilian end strength and FTEs increase from FY 2006 levels reflect DESC's expanding world-wide retail mission. The following table reflects the personnel numbers included in this submission.

Personnel	FY 2006	FY 2007	FY 2008	FY 2009
End Strength				
Military*	76	76	76	76
Civilian	845	879	943	979
Total	921	955	1,019	1,055
FTEs				
Military*	76	76	76	76
Civilian	806	862	911	961
Total	882	938	987	1,037

*Includes full time military only and does not include Reserve positions.

CAPITAL BUDGET

(Dollars in Millions)	FY 2006	FY 2007	FY 2008	FY 2009
Equipment (Non-Automated Data Processing)	\$3.2	\$15.1	\$16.4	\$19.9
Software Development	\$0.0	\$18.1	\$13.9	\$9.8
Minor Construction \$100,000 - \$750,000	\$10.8	\$25.5	\$25.5	\$24.5
Total	\$14.0	\$58.7	\$55.8	\$54.2

The capital budget funds investments that exceed the expense criteria. In addition to minor construction, this budget primarily funds equipment for Fuel Terminal automation at various sites and Business Systems Modernization - Energy, which is the major automated information system (AIS) that supports the overall DoD-Wide fuel mission.

DESC has experienced increased sustainment costs for BSM-E and DFAMS, and funding of Oracle Corporate License and testing support for BSM-E.

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Supply Management Summary
FY 2006
Dollars in Millions
February 2007

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES									0.0
MEDICAL									0.0
SUBSISTENCE									0.0
GENERAL & INDUSTRIAL									0.0
AVIATION									0.0
LAND & MARITIME									0.0
BOS									0.0
NSA									0.0
DLIS									0.0
Corporate									0.0
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENERGY (includes Aerospace)	2,209.3	12,444.4	12,444.4	12,040.5	0.0	107.0	12,147.5	0.0	12,147.5
TOTAL	2,209.3	12,444.4	12,444.4	12,040.5	0.0	107.0	12,147.5	0.0	12,147.5

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Supply Management Summary
FY 2007
Dollars in Millions
February 2007

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES									0.0
MEDICAL									0.0
SUBSISTENCE									0.0
GENERAL & INDUSTRIAL									0.0
AVIATION									0.0
LAND & MARITIME									0.0
BOS									0.0
NSA									0.0
DLIS									0.0
Corporate									0.0
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENERGY (includes Aerospace)	2,201.0	12,353.1	12,354.0	11,486.0	0.0	374.9	11,860.9	1,405.2	13,266.1
TOTAL	2,201.0	12,353.1	12,354.0	11,486.0	0.0	374.9	11,860.9	1,405.2	13,266.1

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Supply Management Summary
FY 2008
Dollars in Millions
February 2007

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES									0.0
MEDICAL									0.0
SUBSISTENCE									0.0
GENERAL & INDUSTRIAL									0.0
AVIATION									0.0
LAND & MARITIME									0.0
BOS									0.0
NSA									0.0
DLIS									0.0
Corporate									0.0
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENERGY (includes Aerospace)	2,079.1	12,594.3	12,595.2	12,398.0	0.0	295.0	12,693.0	1,200.5	13,893.5
TOTAL	2,079.1	12,594.3	12,595.2	12,398.0	0.0	295.0	12,693.0	1,200.5	13,893.5

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Supply Management Summary
FY 2009
Dollars in Millions
February 2007

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES									0.0
MEDICAL									0.0
SUBSISTENCE									0.0
GENERAL & INDUSTRIAL									0.0
AVIATION									0.0
LAND & MARITIME									0.0
BOS									0.0
NSA									0.0
DLIS									0.0
Corporate									0.0
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENERGY (includes Aerospace)	2,126.3	12,408.3	12,409.2	11,993.3	0.0	0.0	11,993.3	1,400.3	13,393.6
TOTAL	2,126.3	12,408.3	12,409.2	11,993.3	0.0	0.0	11,993.3	1,400.3	13,393.6

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Inventory Status - Energy
FY 2006
Dollars in Millions
February 2007

(Petroleum and Missile Fuel)	Total	Mobilization	Peacetime	Other
			Operating	
INVENTORY - Beginning of Period (BOP)	4,035.5	2,259.4	1,776.1	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0			0.0
b. Price Change Amount (Memo)	1,062.9	596.1	466.8	0.0
c. Inventory Reclassified and Repriced	5,098.4	2,855.5	2,242.9	0.0
RECEIPTS AT COST	11,222.1		11,222.1	
GROSS SALES AT COST	(11,702.5)		(11,702.5)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	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
b. Returns from Customers for Credit (+)	480.9	0.0	480.9	0.0
c. Returns from Customers without Credit (+)	634.3	0.0	634.3	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 (-)	(459.5)	0.0	(459.5)	0.0
g. Normal Losses (-)	(125.3)	0.0	(125.3)	0.0
g. Combat Losses (-)	(83.5)	0.0	(83.5)	0.0
h. Total Adjustments	446.9	0.0	446.9	0.0
INVENTORY - End of Period (EOP)	5,064.8	2,855.5	2,209.3	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention (Memo)	0.0			0.0
b. Contingency Retention (Memo)	0.0			0.0
c. Potential DoD Utilization (Memo)	0.0			0.0
INVENTORY ON ORDER EOP	4,575.8		4,575.8	

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Inventory Status - Energy
FY 2007
Dollars in Millions
February 2007

(Petroleum and Missile Fuel)	Total	Mobilization	Peacetime	Other
			Operating	
INVENTORY - Beginning of Period (BOP)	5,064.8	2,855.5	2,209.3	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	87.9	(87.9)	0.0
b. Price Change Amount (Memo)	(52.4)	(26.9)	(25.5)	0.0
c. Inventory Reclassified and Repriced	5,012.4	2,916.5	2,095.9	0.0
RECEIPTS AT COST	10,744.3		10,744.3	
GROSS SALES AT COST	(10,923.7)		(10,923.7)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	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
b. Returns from Customers for Credit (+)	470.0	0.0	470.0	0.0
c. Returns from Customers without Credit (+)	61.0	0.0	61.0	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. Normal Losses (-)	(158.7)	0.0	(158.7)	0.0
g. Combat Losses (-)	(87.9)	0.0	(87.9)	0.0
h. Total Adjustments	284.4	0.0	284.4	0.0
INVENTORY - End of Period (EOP)	5,117.5	2,916.5	2,201.0	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention (Memo)	0.0			0.0
b. Contingency Retention (Memo)	0.0			0.0
c. Potential DoD Utilization (Memo)	0.0			0.0
INVENTORY ON ORDER EOP	3,998.7		3,998.7	

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Inventory Status - Energy
FY 2008
Dollars in Millions
February 2007

(Petroleum and Missile Fuel)	Total	Mobilization	Peacetime	Other
			Operating	
INVENTORY - Beginning of Period (BOP)	5,117.5	2,916.5	2,201.0	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0			0.0
b. Price Change Amount (Memo)	(281.0)	(159.3)	(121.7)	0.0
c. Inventory Reclassified and Repriced	4,836.5	2,757.2	2,079.3	0.0
RECEIPTS AT COST	10,682.3		10,682.3	
GROSS SALES AT COST	(11,022.2)		(11,022.2)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	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
b. Returns from Customers for Credit (+)	473.3	0.0	473.3	0.0
c. Returns from Customers without Credit (+)	111.1	0.0	111.1	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. Normal Losses (-)	(157.8)	0.0	(157.8)	0.0
g. Combat Losses (-)	(86.8)	0.0	(86.8)	0.0
h. Total Adjustments	339.8	0.0	339.8	0.0
INVENTORY - End of Period (EOP)	4,836.3	2,757.2	2,079.1	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention (Memo)	0.0			0.0
b. Contingency Retention (Memo)	0.0			0.0
c. Potential DoD Utilization (Memo)	0.0			0.0
INVENTORY ON ORDER EOP	4,088.7		4,088.7	

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Inventory Status - Energy
FY 2009
Dollars in Millions
February 2007

(Petroleum and Missile Fuel)	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	4,836.3	2,757.2	2,079.1	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0			0.0
b. Price Change Amount (Memo)	110.4	63.2	47.2	0.0
c. Inventory Reclassified and Repriced	4,946.7	2,820.4	2,126.3	0.0
RECEIPTS AT COST	10,353.0		10,353.0	
GROSS SALES AT COST	(10,775.8)		(10,775.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	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
b. Returns from Customers for Credit (+)	472.9	0.0	472.9	0.0
c. Returns from Customers without Credit (+)	107.5	0.0	107.5	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. Normal Losses (-)	(157.7)	0.0	(157.7)	0.0
g. Combat Losses (-)	0.0	0.0	0.0	0.0
h. Total Adjustments	422.7	0.0	422.7	0.0
INVENTORY - End of Period (EOP)	4,946.7	2,820.4	2,126.3	0.0
INVENTORY EOP - REVALUED	4,946.7	2,820.4	2,126.3	0.0
a. Economic Retention (Memo)	0.0			0.0
b. Contingency Retention (Memo)	0.0			0.0
c. Potential DoD Utilization (Memo)	0.0			0.0
INVENTORY ON ORDER EOP	4,078.8		4,078.8	

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material (WRM) Stockpile
FY 2006
Dollars in Millions
February 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,259.4	2,259.4	0.0
2. Price Change (Memo)	596.1	596.1	0.0
3. Inventory Repriced	2,855.5	2,855.5	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	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
(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	2,855.5	2,855.5	0.0
WRM STOCKPILE COSTS			
1. Storage	192.7	192.7	0.0
2. Management	3.7	3.7	0.0
3. Maintenance/Other	107.7	107.7	0.0
Total Cost	304.1	304.1	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. Repair WRM	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-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material (WRM) Stockpile
FY 2007
Dollars in Millions
February 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,855.5	2,855.5	0.0
2. Price Change (Memo)	(26.9)	(26.9)	0.0
3. Inventory Repriced	2,828.6	2,828.6	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	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
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	0.0	0.0	0.0
c. Adjustments @ cost	87.9	87.9	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3.) Other	87.9	87.9	0.0
5. Inventory EOP	2,916.5	2,916.5	0.0
WRM STOCKPILE			
1. Storage	128.6	128.6	0.0
2. Management	3.7	3.7	0.0
3. Maintenance/Other	104.5	104.5	0.0
Total Cost	236.8	236.8	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. Repair WRM	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-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material (WRM) Stockpile
FY 2008
Dollars in Millions
February 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,916.5	2,916.5	0.0
2. Price Change (Memo)	(159.3)	(159.3)	0.0
3. Inventory Repriced	2,757.2	2,757.2	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	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
(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	2,757.2	2,757.2	0.0
WRM STOCKPILE			
1. Storage	135.7	135.7	0.0
2. Management	3.7	3.7	0.0
3. Maintenance/Other	194.8	194.8	0.0
Total Cost	334.2	334.2	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. Repair WRM	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-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
War Reserve Material (WRM) Stockpile
FY 2009
Dollars in Millions
February 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,757.2	2,757.2	0.0
2. Price Change (Memo)	63.2	63.2	0.0
3. Inventory Repriced	2,820.4	2,820.4	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	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
(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	2,820.4	2,820.4	0.0
WRM STOCKPILE			
1. Storage	140.1	140.1	0.0
2. Management	3.7	3.7	0.0
3. Maintenance/Other	215.3	215.3	0.0
Total Cost	359.1	359.1	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. Repair WRM	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-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Source of New Orders and Revenue
FY 2006 - FY 2009
Dollars in Millions
February 2007

TOTAL ENERGY	FY 2006	FY 2007	FY 2008	FY 2009
a. Orders from DoD Components	11,749.9	11,753.9	11,967.4	11,746.9
Army	1,754.2	1,497.5	1,507.5	1,199.2
Navy	3,590.9	3,783.7	3,827.0	3,841.1
Air Force	6,170.0	6,137.6	6,219.9	6,246.4
Marine Corps	179.5	137.2	138.8	139.0
Other	55.3	197.8	274.2	321.1
b. Orders from Other Activity Groups	0.3	0.3	0.6	0.6
c. Total DoD	11,750.2	11,754.2	11,967.9	11,747.4
d. Other Orders:	1,197.2	1,138.7	1,173.2	1,210.2
Other Federal Agencies	200.0	162.9	159.4	159.8
Non-Federal Agencies	572.7	581.4	605.7	628.9
Foreign Military Sales	424.5	394.4	408.1	421.5
Total New Orders	12,947.4	12,892.9	13,141.1	12,957.7
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	12,947.4	12,892.9	13,141.1	12,957.7
4. Funded Carry-Over	0.0	0.0	0.0	0.0
5. Total Gross Sales	12,947.4	12,892.9	13,141.1	12,957.7
6. Credits	(503.2)	(539.8)	(546.8)	(549.4)
7. Net Sales	12,444.3	12,353.1	12,594.3	12,408.3

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Revenue and Expenses
FY 2006 - FY 2009
Dollars in Millions
February 2007

Revenue:	FY 2006	FY 2007	FY 2008	FY 2009
Gross Sales @ Standard	12,770.5	12,536.2	12,726.5	12,509.5
Operations	12,739.8	12,487.8	12,669.3	12,449.9
Capital Surcharge	14.1	32.0	35.6	32.5
Depreciation	16.6	16.4	21.6	27.1
Other Income	177.0	356.8	414.7	448.1
Refunds/Discounts (-)	(503.2)	(539.8)	(546.8)	(549.4)
Total Income	12,444.4	12,353.1	12,594.3	12,408.3
Adjusted Income				
Total Income (allocated)	12,444.4	12,353.1	12,594.3	12,408.3
Expenses:				
Cost of Materiel Sold from Inventory	11,390.9	11,157.5	10,943.9	10,600.9
Salaries and Wages:	95.0	92.7	99.9	107.0
Military Personnel Costs	9.1	8.7	8.9	9.1
Civilian Personnel Compensation	85.9	84.0	91.0	97.9
Travel & Transportation of Personnel	5.6	9.2	9.5	9.6
Materials & Supplies (For internal use)	2.8	3.7	6.0	5.9
Equipment	4.3	4.6	4.4	4.0
Other Purchases from Revolving Funds	14.5	15.0	14.9	15.2
Transportation of Things	451.9	560.0	566.4	365.3
Depreciation - Capital	16.6	16.4	21.6	27.1
Printing and Reproduction	0.2	0.4	0.4	0.5
Advisory and Assistance Services	20.0	20.1	20.0	20.0
Rent, Communication, and Utility	1.6	1.7	1.9	2.1
Other Purchased Services	651.2	776.0	807.3	862.8
Total Expenses (System)	12,654.6	12,657.4	12,496.2	12,020.4
Allocated Expenses	0.5	0.0	0.0	0.0
Total Expenses (Allocated)	12,655.2	12,657.4	12,496.2	12,020.4
Operating Results	(210.8)	(304.3)	98.1	387.8
Less Capital Surcharge	(14.1)	(32.0)	(35.6)	(32.5)
Plus Passthroughs or Other	585.6	296.1	295.0	0.0
Other Changes Affecting NOR	0.0	(374.8)	0.0	0.0
Cash Surcharge	0.0	0.0	0.0	0.0
Transfers Out	0.0	(374.8)	0.0	0.0
Inventory Augmentation/Obs Rec/Other Changes	0.0	0.0	0.0	0.0
Net Operating Results	360.7	(415.0)	357.5	355.3
Prior Year AOR	(389.6)	(28.9)	(443.9)	(86.4)
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Results (AOR)	(28.9)	(443.9)	(86.4)	268.9

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Fuel Data
FY 2006
U.S. Dollars
February 2007

Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<u>BULK and PC&S:</u>							
JP8	82.9	91.79	7,612.9				
DISTILLATES (F76, DFW)	15.4	91.65	1,408.0				
JP5	12.9	91.80	1,185.8				
DIESEL	7.4	85.54	631.5				
JP50, JA1, and JAA	2.3	99.00	228.2				
MOGAS (Unleaded)	1.6	90.17	141.5				
RESIDUALS	0.8	46.59	37.5				
MOGAS (Leaded)	0.5	99.16	49.4				
JTS	0.1	161.11	15.1				
Gasohol	0.0	94.96	4.3				
Lubricants	0.0	263.85	7.1				
JP4, JAB	0.0	94.77	2.1				
Avgas	<u>0.0</u>	<u>113.06</u>	<u>1.9</u>				
TOTAL BULK and PC&S	124.0	91.35	11,325.2				
<u>INTOPLANE</u>							
Jet Fuel Commercial Grade	3.9	99.20	388.3				
<u>BUNKERS:</u>							
DISTILLATES (F76, DFW)	0.0	74.56	2.9				
DIESEL (Marine)	3.2	69.62	225.3				
RESIDUALS (Intermediate)	<u>1.0</u>	<u>76.86</u>	<u>75.0</u>				
TOTAL BUNKERS	4.3	71.32	303.3				
<u>LOCAL PURCHASE and CASH</u>							
JP50, JA1, and JAA	0.9	146.22	129.4				
JP8	0.5	84.33	40.9				
MOGAS	0.4	131.23	50.4				
DISTILLATES (F76, DFW)	<u>0.0</u>	<u>64.00</u>	<u>0.2</u>				
	1.8	125.72	220.9				
TOTAL	133.9	91.40	12,237.6				

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
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FY 2007
U.S. Dollars
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Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			Stabilized
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Price
<u>BULK and PC&S:</u>							
JP8	80.9	96.60	7,817.3				
DISTILLATES (F76, DFW)	15.0	96.18	1,441.8				
JP5	14.6	97.44	1,427.2				
DIESEL	7.2	94.50	680.7				
JP50, JA1, and JAA	2.2	96.60	217.3				
MOGAS (Unleaded)	1.5	98.70	151.1				
RESIDUALS	0.8	73.08	57.4				
MOGAS (Leaded)	0.5	115.92	56.5				
JTS	0.1	163.80	15.1				
Gasohol	0.0	94.50	4.2				
Lubricants	0.026	313.73	8.2				
JP4, JAB	0.0	99.54	2.1				
Avgas	<u>0.0</u>	<u>109.62</u>	<u>1.9</u>				
TOTAL BULK and PC&S	123.0	96.58	11,880.5				
<u>INTOPLANE:</u>							
Jet Fuel Commercial Grade	3.8	109.62	418.6				
<u>BUNKERS:</u>							
DISTILLATES (F76, DFW)	0.0	96.2	3.7				
DIESEL (Marine)	3.2	73.5	232.2				
RESIDUALS (Intermediate)	<u>1.0</u>	<u>60.9</u>	<u>58.0</u>				
TOTAL BUNKERS	4.1	70.8	293.8				
<u>LOCAL PURCHASE and CASH</u>							
JP50, JA1, and JAA	0.9	137.55	118.8				
JP8	0.5	97.44	46.1				
MOGAS	0.4	125.37	47.0				
DISTILLATES (F76, DFW)	<u>0.0</u>	<u>96.00</u>	<u>0.3</u>				
	1.7	123.75	212.2				
Rounding Factor			0.5				
TOTAL	132.7	96.60	12,805.1				

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
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FY 2008
U.S. Dollars
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Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			Stabilized
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Price
<u>BULK and PC&S:</u>							
JP8	80.9	91.14	7,375.4				
DISTILLATES (F76, DFW)	15.0	90.72	1,360.0				
JP5	14.9	91.98	1,374.8				
DIESEL	7.2	89.04	641.4				
JP50, JA1, and JAA	2.2	91.14	205.0				
MOGAS (Unleaded)	1.5	93.24	142.8				
RESIDUALS	0.8	68.88	54.1				
MOGAS (Leaded)	0.5	109.20	53.2				
JTS	0.1	163.80	15.1				
Gasohol	0.0	89.04	3.9				
Lubricants	0.026	266.70	6.9				
JP4, JAB	0.0	94.08	2.0				
Avgas	<u>0.0</u>	<u>103.32</u>	<u>1.8</u>				
TOTAL BULK and PC&S	123.3	91.12	11,236.2				
<u>INTOPLANE:</u>							
Jet Fuel Commercial Grade	3.8	103.32	394.6				
<u>BUNKERS:</u>							
DISTILLATES (F76, DFW)	0.0	90.72	3.4				
DIESEL (Marine)	3.2	86.52	273.3				
RESIDUALS (Intermediate)	<u>1.0</u>	<u>57.54</u>	<u>54.8</u>				
TOTAL BUNKERS	4.1	79.91	331.5				
<u>LOCAL PURCHASE and CASH</u>							
JP50, JA1, and JAA	0.9	91.14	80.9				
JP8	0.5	91.14	43.1				
MOGAS	0.4	93.24	35.0				
DISTILLATES (F76, DFW)	<u>0.0</u>	<u>90.72</u>	<u>0.3</u>				
	1.7	92.88	159.3				
TOTAL	133.0	91.14	12,121.6				

DEFENSE-WIDE WORKING CAPITAL FUND
 SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
 Defense Logistics Agency/Defense Energy Support Center
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 U.S. Dollars
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Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<u>BULK and PC&S:</u>							
JP8	79.0	91.56	7,233.2				
DISTILLATES (F76, DFW)	14.7	91.14	1,339.8				
JP5	14.5	92.40	1,339.8				
DIESEL	7.0	89.46	626.2				
JP50, JA1, and JAA	2.2	91.56	201.4				
MOGAS (Unleaded)	1.5	93.66	140.5				
RESIDUALS	0.8	69.30	55.4				
MOGAS (Leaded)	0.5	109.62	54.8				
JTS	0.1	163.80	15.1				
Gasohol	0.0	89.46	3.9				
Lubricants	0.026	267.96	7.0				
JP4, JAB	0.0	94.50	2.0				
Avgas	<u>0.0</u>	<u>103.74</u>	<u>1.8</u>				
TOTAL BULK and PC&S	120.4	91.54	11,020.9				
<u>INTOPLANE:</u>							
Jet Fuel Commercial Grade	3.7	103.74	383.8				
<u>BUNKERS:</u>							
DISTILLATES (F76, DFW)	0.1	91.14	9.1				
DIESEL (Marine)	3.1	86.94	269.5				
RESIDUALS (Intermediate)	<u>0.9</u>	<u>57.96</u>	<u>52.2</u>				
TOTAL BUNKERS	1.9	62.18	119.2				
<u>LOCAL PURCHASE and CASH</u>							
JP50, JA1, and JAA	0.9	91.56	82.4				
JP8	0.5	91.56	45.8				
MOGAS	0.4	93.66	37.5				
DISTILLATES (F76, DFW)	<u>0.0</u>	<u>91.14</u>	<u>0.3</u>				
	1.8	92.02	165.9				
Rounding Factor			1.3				
TOTAL	130.0	91.56	11,902.8				

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
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FY 2006
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Budget Fuel Data	PROCURED FROM DESC				PROCURED BY SERVICE			Stabilized Price
	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	
Aerospace Missile Fuels								
Nitric Acid	16	11.250	8.94	100.6				
Priming Fluid ALCM (PF-1)	23	2.374	13.84	32.9				
JP-10	28	122.262	13.09	1,600.4				
Isopropyl Alcohol	31	92.660	0.45	41.7				
Deuterium, Gaseous	33	24.299	0.42	10.2				
Liquid Air	39	0.000	1.29	0.0				
Liquid Carbon Dioxide	86	1,836.834	0.10	183.7				
TOTAL MISCELLANEOUS		2,089.679	0.94	1,969.4				
Argon, Gaseous-Conus	21	0.792	125.00	99.0				
Argon, Liquid	32	1,170.270	0.20	234.1				
Argon, Gaseous-OConus	61	0.109	180.00	19.6				
TOTAL ARGON		1,171.171	0.30	352.7				
Dinitrogen Tetroxide	9	84.040	8.95	752.2				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.000	125.00	0.0				
Dinitrogen Tetroxide, MON-15 Low Iron	82	0.220	146.00	32.1				
TOTAL DINITROGEN TETROXIDE		84.260	9.31	784.3				
Helium, Cylinder	1	598.482	0.45	269.3				
Helium, Bulk	2	16.119	134.96	2,175.4				
Helium, Liquid-Dewars	24	78.658	4.60	361.8				
Helium, Liquid Bulk	36	0.000	0.00	0.0				
Helium, Extra Hi-Purity	43	0.000	0.00	0.0				
Helium, Ultra Hi-Purity	49	41.889	0.45	18.9				
Helium, Gaseous Bulk	80	50.437	14.55	733.9				
TOTAL HELIUM		785.585	4.53	3,559.3				
Hydrazine, UDMH	7	1.992	78.01	155.4				
Hydrazine	8	10.578	78.01	825.2				
Hydrazine, MMH	15	4.236	78.01	330.5				
Hydrazine, MPH	34	7.095	78.01	553.5				
Hydrazine, Hi-Purity	35	14.134	189.00	2,671.3				
Hydrazine, Water	37	7.718	78.01	602.1				
TOTAL HYDRAZINE		45.753	112.30	5,137.9				
Hydrogen, Liquid	12	702.150	3.15	2,211.8				
Hydrogen Peroxide	17	20.618	0.50	10.3				
Hydrogen, Gaseous	27	0.054	30.00	1.6				
TOTAL HYDROGEN		722.822	3.08	2,223.7				
Kerosene, RP-1, Bulk	10	112.518	1.90	213.8				
Kerosene, RP-1, Drum	65	0.252	4.80	1.2				
Kerosene, RP-1, TS5	75	0.000	20.15	0.0				
Kerosene, RP-1, Ultra Low Grade	76	0.159	23.00	3.7				
Kerosene, RP-1, TS30 Drum	77	0.000	8.00	0.0				
TOTAL KEROSENE		112.929	1.94	218.7				
Nitrogen, Liquid	4	101.799	94.75	9,645.5				
Nitrogen, Gaseous	5	205.287	4.00	821.1				
Nitrogen Trifluoride	11	0.000	63.81	0.0				
Nitrogen, Liquid (Pipeline)	46	0.000	0.00	0.0				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	324.004	4.10	1,328.4				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.377	375.08	141.4				
Nitrogen, Gaseous (KSC Only)	55	116.960	5.11	597.7				
Nitrogen, Liquid (NASA AMES)	64	0.000	0.00	0.0				
ABO	83	1,889.138	0.95	1,794.7				
LN2	84	615.845	0.80	492.7				
TOTAL NITROGEN		3,253.410	4.56	14,821.4				
Oxygen, Liquid	3	4.120	79.00	325.5				
Oxygen, Liquid (Vandenberg AFB Only)	53	1.360	125.00	170.0				
Oxygen, Liquid (KSC Only)	63	2.203	66.00	145.4				
TOTAL LIQUID OXYGEN		7.683	83.42	640.9				
Xenon, Gaseous	19	0.000	0.00	0.0				
Xenon, Extra High-Purity	66	8.600	1.10	9.5				
TOTAL LIQUID XENON		8.600	0.00	9.5				
Methanol Liquid	85	0.570	1.41	0.8				
Rounding factor				0.0				
TOTAL		8,282.462	3.59	29,718.5				

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Fuel Data
FY 2007
U.S. Dollars
February 2007

Budget Fuel Data	PROCURED FROM DESC				PROCURED BY SERVICE			Stabilized Price
	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	
Aerospace Missile Fuels								
Nitric Acid	16	0.390	26.25	10.2				
Priming Fluid ALCM (PF-1)	23	1.500	17.82	26.7				
JP-10	28	110.593	25.00	2,764.8				
Isopropyl Alcohol	31	240.000	0.47	112.8				
Deuterium, Gaseous	33	75.000	0.30	22.5				
Liquid Air	39	30.000	1.35	40.5				
Liquid Carbon Dioxide	86	3,630.000	<u>0.15</u>	<u>544.5</u>				
TOTAL MISCELLANEOUS		4,087.483	0.86	3,522.1				
Argon, Gaseous-Conus	21	1.243	147.00	182.7				
Argon, Liquid	32	1,374.000	0.23	316.0				
Argon, Gaseous-OConus	61	0.311	<u>150.00</u>	<u>46.7</u>				
TOTAL ARGON		1,375.554	0.40	545.4				
Dinitrogen Tetroxide	9	353.107	12.00	4,237.3				
Dinitrogen Tetroxide, MON-25 Low Iron	79	1.898	110.00	208.8				
Dinitrogen Tetroxide, MON-15 Low Iron	82	0.360	<u>100.00</u>	<u>36.0</u>				
TOTAL DINITROGEN TETROXIDE		355.365	12.61	4,482.1				
Helium, Cylinder	1	261.351	0.45	117.6				
Helium, Bulk	2	24.130	135.00	3,257.6				
Helium, Liquid-Dewars	24	60.374	5.20	313.9				
Helium, Liquid Bulk	36	0.000	0.00	0.0				
Helium, Extra Hi-Purity	43	0.000	0.00	0.0				
Helium, Ultra Hi-Purity	49	38.127	0.73	27.8				
Helium, Gaseous Bulk	80	94.094	46.70	4,394.2				
TOTAL HELIUM		478.076	16.97	8,111.1				
Hydrazine, UDMH	7	3.600	78.00	280.8				
Hydrazine	8	75.660	78.00	5,901.5				
Hydrazine, MMH	15	92.666	78.00	7,227.9				
Hydrazine, MPH	34	30.596	78.00	2,386.5				
Hydrazine, Hi-Purity	35	30.295	78.00	2,363.0				
Hydrazine, Water	37	14.190	<u>78.00</u>	<u>1,106.8</u>				
TOTAL HYDRAZINE		247.007	78.00	19,266.5				
Hydrogen, Liquid	12	328.160	3.15	1,033.7				
Hydrogen Peroxide	17	4.600	0.65	3.0				
Hydrogen, Gaseous	27	0.191	<u>100.00</u>	<u>19.1</u>				
TOTAL HYDROGEN		332.951	3.17	1,055.7				
Kerosene, RP-1, Bulk	10	57.312	2.50	143.3				
Kerosene, RP-1, Drum	65	0.265	4.50	1.2				
Kerosene, RP-1, TS5	75	0.054	30.00	1.6				
Kerosene, RP-1, Ultra Low Grade	76	0.265	23.00	6.1				
Kerosene, RP-1, TS30 Drum	77	0.000	<u>0.00</u>	<u>0.0</u>				
TOTAL KEROSENE		57.896	2.63	152.2				
Nitrogen, Liquid	4	106.280	85.00	9,033.8				
Nitrogen, Gaseous	5	123.337	4.25	524.2				
Nitrogen Trifluoride	11	0.000	64.00	0.0				
Nitrogen, Liquid (Pipeline)	46	0.000	0.00	0.0				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	251.000	16.00	4,016.0				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.400	460.00	184.0				
Nitrogen, Gaseous (KSC Only)	55	400.636	6.08	2,435.9				
Nitrogen, Liquid (NASA AMES)	64	0.000	0.00	0.0				
ABO	83	3,648.232	0.97	3,538.8				
LN2	84	2,014.186	<u>0.80</u>	<u>1,611.3</u>				
TOTAL NITROGEN		6,544.071	3.26	21,344.0				
Oxygen, Liquid	3	4.938	85.15	420.5				
Oxygen, Liquid (Vandenberg AFB Only)	53	2.487	125.00	310.9				
Oxygen, Liquid (KSC Only)	63	3.965	<u>66.00</u>	<u>261.7</u>				
TOTAL LIQUID OXYGEN		11.390	87.18	993.0				
Xenon, Gaseous	19	0.000	0.00	0.0				
Xenon, Extra High-Purity	66	42.750	<u>1.53</u>	<u>65.4</u>				
TOTAL LIQUID XENON		42.750	0.00	65.4				
Methanol Liquid	85	5.000	6.20	31.0				
Rounding factor				<u>(0.0)</u>				
TOTAL		13,537.543	4.40	59,568.6				

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Fuel Data
FY 2008
U.S. Dollars
February 2007

Budget Fuel Data	PROCURED FROM DESC			PROCURED BY SERVICE			Stabilized	
Aerospace Missile Fuels	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Price
Nitric Acid	16	0.390	30.00	11.7				
Priming Fluid ALCM (PF-1)	23	2.324	17.50	40.7				
JP-10	28	128.768	25.00	3,219.2				
Isopropyl Alcohol	31	240.000	0.83	199.2				
Deuterium, Gaseous	33	5.500	0.50	2.8				
Liquid Air	39	30.000	1.35	40.5				
Liquid Carbon Dioxide	86	2,530.000	<u>0.12</u>	<u>303.6</u>				
TOTAL MISCELLANEOUS		2,936.982	1.30	3,817.6				
Argon, Gaseous-Conus	21	0.871	172.00	149.8				
Argon, Liquid	32	1,140.000	0.35	399.0				
Argon, Gaseous-OConus	61	0.295	<u>175.00</u>	<u>51.6</u>				
Argon, Gaseous FMS	87	0.050	950.00	47.5				
TOTAL ARGON		1,141.2	0.57	647.9				
Dinitrogen Tetroxide, MON-25 Low Iron	9	184.772	22.00	4,065.0				
Dinitrogen Tetroxide, MON-15 Low Iron	79	1.898	155.50	295.1				
Dinitrogen Tetroxide, MON-3UL	82	0.360	128.00	46.1				
Dinitrogen Tetroxide, MON-3UL	89	4.000	8.05	32.2				
TOTAL DINITROGEN TETROXIDE		191.0	23.23	4,438.4				
Helium, Cylinder	1	246.015	0.64	157.4				
Helium, Bulk	2	19.079	138.00	2,632.9				
Helium, Liquid-Dewars	24	60.374	5.00	301.9				
Helium, Liquid Bulk	36	0.000	0.00	0.0				
Helium, Extra Hi-Purity	43	0.000	0.00	0.0				
Helium, Ultra Hi-Purity	49	38.127	0.73	27.8				
Helium, Gaseous Bulk	80	102.962	46.70	4,808.3				
TOTAL HELIUM		466.557	16.99	7,928.4				
Hydrazine, UDMH	7	4.600	95.00	437.0				
Hydrazine	8	55.000	95.00	5,225.0				
Hydrazine, MMH	15	103.878	95.00	9,868.4				
Hydrazine, MPH	34	27.244	95.00	2,588.2				
Hydrazine, Hi-Purity	35	53.893	95.00	5,119.8				
Hydrazine, Water	37	12.470	<u>95.00</u>	<u>1,184.7</u>				
TOTAL HYDRAZINE		257.085	95.00	24,423.1				
Hydrogen, Liquid	12	393.672	3.00	1,181.0				
Hydrogen Peroxide	17	0.000	0.00	0.0				
Hydrogen, Gaseous	27	0.188	<u>100.00</u>	<u>18.8</u>				
TOTAL HYDROGEN		393.860	3.05	1,199.8				
Kerosene, RP-1, Bulk	10	95.768	3.50	335.2				
Kerosene, RP-1, Drum	65	0.265	10.00	2.7				
Kerosene, RP-1, TS5	75	0.000	0.00	0.0				
Kerosene, RP-1, Ultra Low Grade	76	0.265	31.00	8.2				
Kerosene, RP-1, TS30 Drum	77	15.800	11.10	175.4				
TOTAL KEROSENE		112.098	4.65	521.4				
Nitrogen, Liquid	4	103.238	85.00	8,775.2				
Nitrogen, Gaseous	5	124.8	4.25	530.3				
Nitrogen Trifluoride	11	0.000	75.50	0.0				
Nitrogen, Liquid (Pipeline)	46	0.000	0.00	0.0				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	251.000	16.00	4,016.0				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.400	480.00	192.0				
Nitrogen, Gaseous (KSC Only)	55	333.928	7.00	2,337.5				
Nitrogen, Liquid (NASA AMES)	64	0.000	0.00	0.0				
ABO	83	1,510.272	0.99	1,495.2				
ABO - OConus	83C	313.844	3.00	941.5				
LN2	84	599.472	0.75	449.6				
LN2 - Oconus	84C	206.202	<u>1.50</u>	<u>309.3</u>				
TOTAL NITROGEN		3,443.144	5.53	19,046.7				
Oxygen, Liquid	3	4.450	93.00	413.9				
Oxygen, Liquid (Vandenberg AFB Only)	53	2.487	120.00	298.4				
Oxygen, Liquid (KSC Only)	63	3.965	<u>66.00</u>	<u>261.7</u>				
TOTAL LIQUID OXYGEN		10.902	89.34	974.0				
Xenon, Gaseous	19	0.000	0.00	0.0				
Xenon, Extra High-Purity	66	98.630	<u>4.60</u>	<u>453.7</u>				
TOTAL XENON		98.630	0.00	453.7				
Methanol Liquid	85	5.000	3.67	18.4				
Methane Liquid	44	16.619	2.81	46.7				
TOTAL METHANE LIQUID		21.619	6.48	65.0				
Rounding factor								
TOTAL		8,986.041	6.56	58,904.8				

DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY
Defense Logistics Agency/Defense Energy Support Center
Fiscal Year (FY) 2008/2009 Budget Estimates
Fuel Data
FY 2009
U.S. Dollars
February 2007

Budget Fuel Data		PROCURED FROM DESC			PROCURED BY SERVICE			Stabilized Price
Aerospace Missile Fuels	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	
Nitric Acid	16	1.250	32.00	40.0				
Priming Fluid ALCM (PF-1)	23	2.324	17.50	40.7				
JP-10	28	128.768	25.00	3,219.2				
Isopropyl Alcohol	31	240.000	1.00	240.0				
Deuterium, Gaseous	33	0.000	0.00	0.0				
Liquid Air	39	11.000	1.35	14.9				
Liquid Carbon Dioxide	86	2,530.000	0.12	303.6				
TOTAL MISCELLANEOUS		2,913.342	1.32	3,858.3				
Argon, Gaseous-Conus	21	0.871	175.00	152.4				
Argon, Liquid	32	1,140.000	0.36	410.4				
Argon, Gaseous-OConus	61	0.295	200.00	59.0				
Argon, Gaseous FMS	87	0.050	950.00	47.5				
TOTAL ARGON		1,141.2	0.59	669.3				
Dinitrogen Tetroxide	9	184.772	22.00	4,065.0				
Dinitrogen Tetroxide, MON-25 Low Iron	79	1.898	155.50	295.1				
Dinitrogen Tetroxide, MON-15 Low Iron	82	0.275	130.00	35.8				
Dinitrogen Tetroxide, MON-3UL	89	4.0	8.05	32.2				
TOTAL DINITROGEN TETROXIDE		190.945	23.19	4,428.1				
Helium, Cylinder	1	246.015	0.64	157.4				
Helium, Bulk	2	19.079	140.00	2,671.1				
Helium, Liquid-Dewars	24	60.374	5.00	301.9				
Helium, Liquid Bulk	36	0.000	0.00	0.0				
Helium, Extra Hi-Purity	43	0.000	0.00	0.0				
Helium, Ultra Hi-Purity	49	38.127	0.75	28.6				
Helium, Gaseous Bulk	80	103.0	46.75	4,813.5				
TOTAL HELIUM		466.557	17.09	7,972.4				
Hydrazine, UDMH	7	3.600	107.25	386.1				
Hydrazine	8	31.617	107.25	3,390.9				
Hydrazine, MMH	15	93.733	107.25	10,052.9				
Hydrazine, MPH	34	19.664	107.25	2,109.0				
Hydrazine, Hi-Purity	35	28.088	107.25	3,012.4				
Hydrazine, Water	37	9.0	107.25	968.5				
TOTAL HYDRAZINE		185.732	107.25	19,919.8				
Hydrogen, Liquid	12	246.739	2.75	678.5				
Hydrogen Peroxide	17	0.000	0.00	0.0				
Hydrogen, Gaseous	27	0.1	110.00	12.1				
TOTAL HYDROGEN		246.849	2.80	690.6				
Kerosene, RP-1, Bulk	10	180.276	4.50	811.2				
Kerosene, RP-1, Drum	65	0.265	20.00	5.3				
Kerosene, RP-1, TS5	75	0.000	0.00	0.0				
Kerosene, RP-1, Ultra Low Grade	76	1.166	34.00	39.6				
Kerosene, RP-1, TS30 Drum	77	15.8	11.10	175.4				
TOTAL KEROSENE		197.507	5.22	1,031.6				
Nitrogen, Liquid	4	90.308	86.00	7,766.5				
Nitrogen, Gaseous	5	178.611	4.25	759.1				
Nitrogen Trifluoride	11	0.000	0.00	0.0				
Nitrogen, Liquid (Pipeline)	46	0.000	0.00	0.0				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	251.000	16.00	4,016.0				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.270	480.00	129.6				
Nitrogen, Gaseous (KSC Only)	55	226.614	7.50	1,699.6				
Nitrogen, Liquid (NASA AMES)	64	0.000	0.00	0.0				
ABO	83	1,689.672	1.00	1,689.7				
ABO - OConus	83C	346.0	3.10	1,072.7				
LN2	84	1,318.272	0.75	988.7				
LN2 - Oconus	84C	234.002	1.55	362.7				
TOTAL NITROGEN		4,334.793	4.26	18,484.6				
Oxygen, Liquid	3	3.7	94.00	344.6				
Oxygen, Liquid (Vandenberg AFB Only)	53	1.056	120.00	126.7				
Oxygen, Liquid (KSC Only)	63	4.406	66.00	290.8				
TOTAL LIQUID OXYGEN		9.128	83.49	762.1				
Xenon, Gaseous	19	0.000	0.00	0.0				
Xenon, Extra High-Purity	66	82.88	5.00	414.4				
TOTAL XENON		82.880	0.00	414.4				
Methanol Liquid	85	5	3.67	18.4				
Methane Liquid	44	17.192	2.95	50.7				
TOTAL METHANE LIQUID		22.192	6.62	69.1				
Rounding factor				0.0				
		9,773.949	5.96	58,300.3				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Distribution Depots
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA line items. These items consist of wholesale DoD weapon systems parts and other defense related consumable items to include medical, clothing, subsistence, electrical, industrial and general supplies. In FY 2006, the distribution depots, by location are:

CONUS

Albany, GA
Anniston, AL
Barstow, CA
Cherry Point, NC
Columbus, OH
Corpus Christi, TX
Hill, UT
Jacksonville, FL
Map Support, Richmond, VA
Norfolk, VA
Oklahoma City, OK
Pearl Harbor, HI
Puget Sound, WA
Red River, TX
Richmond, VA
San Diego, CA
San Joaquin, CA
Susquehanna, PA
Tobyhanna, PA
Warner Robins, GA

OCONUS

Camp Arifjan, Kuwait
Camp Carroll, Korea
Germersheim, Germany
Guam, Marianas
Sigonella, Italy
Yokosuka, Japan

These depots, strategically located throughout the world, received and issued 22.6 million secondary lines and warehoused and maintained over 119.6 million cubic feet of material. The Defense Distribution Depot network ensures that America's war fighters receive the best value distribution services.

CHANGES IN OPERATIONS

DLA's challenge is to transform to meet the expectations and needs of our customer, the war fighter, while continually reducing cost, improving customer wait time, increasing consistency, and increasing product and service quality. These responsibilities, coupled with decreasing resources to keep rates as low as possible, will require increased innovation and technology.

In FY 2006, the Distribution Depots continue to see un-programmed transportation fuel-related cost increases and decrease in workload. In addition, Operation Iraqi Freedom (OIF) continues to present other challenges including establishing a new strategic location for operations in support of United States Central Command (CENTCOM). Furthermore, higher transportation costs due to the destination, volume, weight and priority of items being shipped, and increases in supplies (nets, pallets, and radio frequency (RF) tags) continue to be areas of concern.

Some of the cost increases DLA experienced during FY 2006 and those projected over the budget period include:

- Workload - Receipts and issues have decreased 2.4 million lines (9.6 percent) over the initial FY 2006 estimate mainly due to decreased requirements for Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). DLA is projecting a slight increase in FY 2007 and FY 2008 due to Retrograde Returns (overseas shipments of inventory returning to the defense distribution centers stateside), and BRAC Redistribution Orders between Strategic Distribution Platforms (SDPs).

The retrograde workload began in FY 2006. Supplemental funds in the amount of \$2.5 million were issued to offset the increased handling costs for retrograde material in FY 2006. A request for FY 2007 Supplemental funds has been submitted for \$15.5 million for additional distribution depot effort to restock or dispose of the supplies. This mission will require additional distribution depot effort above peacetime levels, which is directly related to the Global War on Terrorism support.

- Transportation - Distribution continued to experience increased transportation costs during FY 2006 due to the increased cost of fuel, the United States Transportation Command (TRANSCOM) cash surcharge, and out-of-cycle rate increases. However, beginning in FY 2007, over-ocean transportation estimates will decrease substantially due to the transfer of over-ocean transportation billing responsibility from DLA to TRANSCOM. TRANSCOM will directly bill the Services for over-ocean transportation. This will result in a 90 percent decrease in the DLA over-ocean transportation estimate. DLA will continue to bill World-Wide Express (WWX) and direct booking, along with the Consolidation and Containerization Point (CCP) operations, which accounts for the other 10 percent of the cost of transportation.

Increases in second destination transportation also reflect the volatile fuel costs. These estimates remain consistent over the budget years.

- Base Realignment and Closure (BRAC) 2005 - The only workload in this submit funded in the rates is all Strategic Distribution Platform (SDP) to SDP movements. No other BRAC workload is in the rates because they will be funded by a BRAC Operations and Maintenance (O&M) appropriation.
 - Defense Distribution Depot Columbus, Ohio (DDCO) Closure - During FY 2006, efforts began to close DDCO and dispose or relocate necessary war reserve material to the Defense Distribution Depot Susquehanna, PA (DDSP). Costs planned during FY 2006 were \$2.4 million and expected to total \$17.4 million through FY 2010. Costs are based on 122,000 Disposal Release Orders (DRO) and 81,000 Redistribution Orders (RDO). The costs associated with these movements and disposals are portrayed in the BRAC business plan.
 - Forward Distribution Platform to Strategic Distribution Platform (FDP/SDP) Movements and Disposals - This will be a redesigned distribution network that will meet the ever changing customer needs with four SDPs and 12 FDPs that will enhance deployment and sustainment of expeditionary forces, reduce excess capacity, and eliminate unnecessary redundancy. Currently, we have two SDPs. There will be four SDPs by adding two more Defense Distribution Depots at Oklahoma City, Oklahoma, and Warner Robins, Georgia. The FDPs inventory will be tailored to meet their

immediate co-located customer requirements. Estimated costs for this undertaking are \$201 million from FY 2007 through FY 2010. The costs associated with these movements and disposals are portrayed in the BRAC business plan.

- o Privatization - Privatization disestablishes the wholesale supply, storage, and distribution functions for all tires; packaged petroleum, oils and lubricants; and compressed gases used by the Department of Defense, retaining only the supply contracting function for each commodity. The tire privatization effort encompasses both CONUS and OCONUS depots. The majority of tires to be privatized reside at Distribution Depot Red River, TX (DDRT), DDSF, and Distribution Depot San Joaquin, CA (DDJC). Packaged petroleum, oils, lubricants, chemicals, compressed gases and cylinders will only impact CONUS depots at the start of the contract. Costs of \$3.5 million in FY 2008 and \$7.0 million in FY 2009 are budgeted to accomplish this change in the sourcing strategy.
- o Retail - The BRAC retail consolidation plan is currently being developed based on input from the independent Logistics Management Institute (LMI) assessment in coordination with the Services, which will identify the appropriate support organization for each of the Service industrial activities. For this submission, Distribution has included 822 FTEs and associated costs of \$74 million in reimbursable authority beginning in FY 2008. The retail integration will consolidate storage and distribution functions under DLA and will then, in turn, undergo further refinement and efficiencies as these missions are assimilated into the SDP/FDP construct. The overarching strategy is to provide all wholesale and retail distribution related support to all identified customers at each of the co-located sites.
- o Savings - BRAC 2005 savings will be achieved through privatization, retail integration, DDCO closure, and realigning depots as FDPs. Through the elimination of personnel, Distribution will lose 64 people for privatization and 475 for the Supply and Storage recommendation beginning in FY 2009 through FY 2010, which encompasses integration of retail, DDCO closure and redesigning the distribution network. Additionally, demolition of infrastructure and downsizing of storage

capacity will lead to reduced infrastructure costs and diminished material replacement costs.

- Theater Consolidation Shipping Point (TCSP) - DLA has assumed the distribution function of the CENTCOM Theater Distribution Center (TDC) operations in Kuwait. The TCSP acts as the primary conduit for clothing, fuel (packaged), barrier materials, and spare parts (Class II, III, IV and IX) entering the theater. DLA received \$25 million of Supplemental Operations and Maintenance (O&M) funding in FY 2006 to support this mission. This budget assumes Supplemental funding through FY 2008 as long as the TCSP operation remains a contingency operation.

In addition, DLA assumed the TDC mission in Europe beginning October 2006. The purpose of the TCSP(E) is to consolidate multi-consignee freight from theater shippers and external suppliers, referrals from United States Army Europe (USAREUR) Supply Support Activities and retrograde from United States European Command (EUCOM) in preparation of onward movement to final destinations. The budget estimate for FY 2007 and FY 2008 is \$1.7 million and \$1.8 million, respectively. Army has provided a reimbursable planning document for FY 2007.

- Radio Frequency Identification (RFID) - The Defense Distribution Center has equipped its mission receiving doors with RFID portals. These portals are used to read DOD compliant tags, which subsequently generate accountability data within the receipt processing function of distribution. This allows for faster acceptance of material, as well as complies with the DOD RFID policy of 30 July 2004. The RFID program encompasses two technologies: (1) active tags, which are placed on air pallets and sea-vans, and (2) passive tags which are placed on crates and packages. This budget estimates Distribution Active RFID costs beginning in FY 2007 through FY 2009 at \$9.8 million each year. Passive RFID costs are estimated to be \$20.8 million. RFID costs are comprised of operational costs for the tags and associated supplies, and IT hardware purchases. Passive tag implementation began in January 2005 at Defense Distribution Depot Susquehanna, PA (DDSP) and Defense Distribution Depot San Joaquin, CA (DDJC). We expect full implementation at all depots by FY 2007.

(\$M)	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Projected</u>
Active Tags	\$11.9	\$ 9.8	\$9.8	\$9.8
Operating	\$11.9	\$ 9.8	\$9.8	\$9.8
Capital	-	-	-	-
Passive Tags	\$14.5	\$12.2	\$5.5	\$3.1
Operating	\$ 0.0	\$ 6.2	\$4.9	\$2.4
Capital	\$14.5	\$ 6.0	\$0.6	\$0.7
Total Tags	\$26.4	\$22.0	\$15.3	\$12.9

- Inventory Accuracy - The initial "SWARM" initiative was developed to correct storage deficiencies that contributed to erroneous record balances. These cleanup programs included wall-to-wall inventory, training, rewarehousing, remarking, inspecting, and surveying locations in order to improve accuracy levels. At the start of FY 2006, the initial cleanup period ended. The program has shifted from the cleanup phase into the sustainment phase for Distribution Centers who are meeting DLA goals. Through this program, DLA plans to meet a more aggressive inventory accuracy performance goal. This submission includes 111 Full Time Equivalents (FTEs) and associated costs of \$7 million beginning in FY 2007 to sustain inventory accuracy through a cyclic inventory program. Significant improvement in inventory accuracy has been achieved in both of the FY 2006 sample inventories.
- A-76 competitions - As of September 2006, DLA has completed thirteen of twenty A-76 studies. The thirteen completed studies resulted in six in-house wins and seven contractor wins.

The table below details the thirteen completed studies and eight planned or in progress A-76 studies.

<u>Completed Studies</u>	<u>FTEs</u>	<u>Winning Entity</u>
Depot Columbus, OH	55	Government MEO
Depot Barstow, CA	170	EG&G Logistics Inc.
Depot Warner Robins, GA	647	LESCO
Depot Jacksonville, FL	152	EG&G Logistics Inc.
Depot Cherry Point, NC	131	GENCO
Depot Richmond, VA	500	Government MEO
Depot Albany, GA	165	Government MEO
Depot Hill, UT	552	EG&G Logistics Inc.
Depot San Diego, CA	411	GENCO
Depot Tobyhanna, PA	120	Government MEO
Depot Puget Sound, WA	86	Government MEO
Depot Corpus Christi, TX	124	Government MEO
Instl Spt, San Joaquin, CA	67	NANA Services, LLP

Five studies, involving 1,049 FTEs, are waiting to be announced. One study involving 138 FTEs was announced in FY 2006. Because of new Office of Management and Budget policy (Circular A-76), studies that could not be completed in the 36-month time frame were cancelled and will be re-announced. The following table details the six planned or in-progress A-76 studies:

<u>Studies Underway or Planned</u>	<u>FTEs</u>	<u>Status</u>
Depot Anniston, AL	124	Study to Be Announced
Depot Red River, TX	538	Study to Be Announced
Depot Norfolk, VA	211	Study to Be Announced
Instl Spt, Susquehanna, PA	138	Study Announced
Depot Pearl Harbor, HI	95	Study to Be Announced
Depot Hill, UT (DEPMEDS)	81	Study to Be Announced

Estimated costs/assumptions for the competitions are as follows:

- (1) Study costs estimated at \$4,000 per FTE;
- (2) Separation costs for projected personnel reductions and contract conversions estimated at \$28,000 per FTE.

Budgeted FTE and labor savings include only MEO savings. Costs and savings are prorated to the fiscal year in which they are expected to occur.

Support for the Global War on Terrorism (GWOT):

The Distribution Depots are experiencing operational and financial impacts from support for the GWOT, including Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF). As a result Supplemental requests have been identified for FYs 2007 and 2008.

The request for FY 2007, as mentioned earlier, is for the Theater Redistribution (Retrograde) mission, which will transition material that supported the units overseas back to the United States.

The request for FY 2008, also mentioned earlier, is for operation of distribution functions at the Theater Consolidation and Shipping Point (TCSP) in Kuwait. Locating these functions in Kuwait has increased the distribution systems efficiency and consolidated functions. This budget assumes Supplemental funding as long as the TCSP operation remains a contingency operation.

These estimates were prepared prior to the President's decision to deploy additional forces to Iraq.

Performance Indicators

The performance metrics for this activity group are a reflection of DLA strategic plan priorities. The following metrics are a combination of traditional operational and financial measures as well as measures identified through the Balanced Scorecard process:

FINANCIAL:

- Manage Operating Results, as measured by traditional Net Operating Result (NOR)/Accumulative Operating Result (AOR) metrics. This budget submission reflects a projected AOR of \$0.0M for FY 2009.
- Minimize Total Supply Chain Costs, as measured by Unit Cost for Distribution services. This submission establishes a projected unit cost rate (excluding transportation) for receipts and issues of \$23.57 for FY 2008. The FY 2009 rate is projected to be \$23.07, reflecting the agency's continuing focus on improved efficiency and decreasing the cost of doing business.

CUSTOMER:

- Improve Customer Satisfaction, as measured by an overarching customer satisfaction index. This index is based on customer survey feedback and is based on the percentage of customers who are satisfied/very satisfied with the activity group's performance. Current performance is at 86.6 percent. The goal for FY 2007 through FY 2009 is 90 percent.

INTERNAL PROCESS:

- Improve Inventory Accuracy, measured by the accuracy of inventory based on the variability of financial adjustments affecting inventory record balances. Current performance is at 5.1 percent. The goal is not to exceed 7 percent.

PERSONNEL PROFILE

Changes to the workforce include converting to contractors due to A-76, downsizing, and using a temporary workforce as workload shifts up and down. Reductions to date have been accomplished mainly through the use of Voluntary Separation Incentive Pay (VSIP) and Voluntary Early Retirement Authority (VERA). The increase in FTEs for FY 2007 is due to the A-76 schedule change, Cyclic Inventory, Theater Consolidation Shipping Point Europe, and Wide-Area Workflow (inherently governmental personnel to be rehired at the depots), and Distribution Training (relating to Inventory Accuracy) initiatives. In addition to these initiatives, the Retail Mission for BRAC 2005 adds significant FTEs (822) to FY 2008 and FY 2009. DLA is utilizing workload and workforce re-distribution as well as term employees whenever practical to be able to better respond to workload fluctuations.

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	8065	8384	9382	9065
Civilian Full Time Equivalents (FTEs)	7877	8527	9174	8862
Military End Strength	143	143	143	143

BUDGET HIGHLIGHTS

WORKLOAD:

Lines Received and Shipped:

Lines processed (either received or shipped) are the basic work count. In FY 2006 Receipts and Issues decreased 2.4M lines (9.6 percent) below the initial FY 2006 estimate mainly due to decreased requirements for Operations Enduring Freedom (OEF) and Iraqi Freedom (OIF). Workload continues to decline in FYs 2007, 2008, and 2009, but is offset by BRAC estimates for DROs and RDOs and Retrograde giving a net affect of level projected workload for this submission.

Lines Received and Shipped (Millions)

<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
22.6	23.3	23.4	23.3

Storage:

Using Net Landed Cost for storage, DLA bills the customer for materiel (based upon total item cube) stored in DLA's warehouses. This visibility allows DLA's customers to determine the level of inventory and type of storage they require from DLA that provides a financial incentive to dispose of unnecessary materiel instead of storing it in warehouses at additional expense. In FY 2006 warehouse renovations at DDSP caused material in covered storage to be moved to open storage, resulting in a decrease of covered storage workload. During FY 2007 this material will be moving back to covered storage from open storage. FY 2008 increases are due to BRAC, retrograde returns, and FDP requirements. Current estimates through the budget period are:

	Item Cube (Millions CF) <u>1/</u>			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Covered Storage Space	78.6	87.2	91.3	86.0
Open Storage Space	37.6	34.4	34.7	35.0
Specialized Storage Space	3.3	3.4	3.4	2.9

1/ Based on item cubic feet (the actual packaged material cube)

REVENUE:

Revenue for the Distribution Depot Activity Group consists of payments from the Supply Management Activity Groups of DLA and Military Services for lines received and shipped, storage space occupied, and special project work.

Lines Received and Shipped:

Net Landed Cost provides DLA's customers with greater visibility of their distribution costs by commodity, customer, and transactions allowing them to make more informed supply decisions. The table on the next page outlines DLA's rate schedule under Net Landed Cost:

Net Landed Cost Rates

		FY 06		FY 07		FY 08		FY 09
		Actual						
Receipt								
Base		\$ 23.67	\$	\$ 22.52	\$	\$ 22.08	\$	\$ 21.55 per line
Plus								
	1-40 lbs.	\$ 0.80	\$	\$ 0.79	\$	\$ 0.87	\$	\$ 0.85 per line
	41-150 lbs.	\$ 9.23	\$	\$ 9.16	\$	\$ 10.12	\$	\$ 9.90 per line
	151-2000 lbs.	\$ 21.01	\$	\$ 20.86	\$	\$ 23.04	\$	\$ 22.55 per line
	2000+ lbs.	\$ 0.0106	\$	\$ 0.0100	\$	\$ 0.0117	\$	\$ 0.0115 per lb. + 151-2000 rate
Return		\$ 3.85	\$	\$ 3.83	\$	\$ 4.23	\$	\$ 4.14 per line additional
Hazardous		\$ 12.94	\$	\$ 12.85	\$	\$ 14.19	\$	\$ 13.89 per line additional
Hard-to-Handle		\$ 12.94	\$	\$ 12.85	\$	\$ 14.19	\$	\$ 13.89 per line additional
Issue								
Onbase		\$ 10.58	\$	\$ 10.17	\$	\$ 9.97	\$	\$ 9.73 per line
Plus								
	1-40 lbs.	\$ 0.80	\$	\$ 0.79	\$	\$ 0.87	\$	\$ 0.85 per line
	41-150 lbs.	\$ 9.23	\$	\$ 9.16	\$	\$ 10.12	\$	\$ 9.90 per line
	151-2000 lbs.	\$ 21.01	\$	\$ 20.86	\$	\$ 23.04	\$	\$ 22.55 per line
	2000+ lbs.	\$ 0.0106	\$	\$ 0.0100	\$	\$ 0.0117	\$	\$ 0.0115 per lb. + 151-2000 rate
Offbase		\$ 14.26	\$	\$ 14.72	\$	\$ 14.43	\$	\$ 14.09 per line
	1-40 lbs.	\$ 1.54	\$	\$ 1.53	\$	\$ 1.69	\$	\$ 1.65 per line
	41-150 lbs.	\$ 21.24	\$	\$ 21.09	\$	\$ 23.30	\$	\$ 22.80 per line
	151-2000 lbs.	\$ 42.07	\$	\$ 41.77	\$	\$ 46.14	\$	\$ 45.15 per line
	2000+ lbs.	\$ 0.0157	\$	\$ 0.0200	\$	\$ 0.0172	\$	\$ 0.0169 per lb. + 151-2000 rate
Hazardous		\$ 12.94	\$	\$ 12.85	\$	\$ 14.19	\$	\$ 13.89 per line additional
Controlled Item		\$ 6.12	\$	\$ 6.07	\$	\$ 6.71	\$	\$ 6.56 per line additional
Hard-to-Handle		\$ 12.94	\$	\$ 12.85	\$	\$ 14.19	\$	\$ 13.89 per line additional
FMS		\$ 6.28	\$	\$ 6.23	\$	\$ 6.88	\$	\$ 6.73 per line additional
Out-of-Cycle		\$ 17.66	\$	\$ 17.54	\$	\$ 19.38	\$	\$ 18.96 per line additional
Local Delivery		\$ 1.33	\$	\$ 1.31	\$	\$ 1.45	\$	\$ 1.42 per line additional
Issue from Receiving								
Base		\$ 1.17	\$	\$ 1.29	\$	\$ 1.26	\$	\$ 1.23 per line
Plus								
	1-40 lbs.	\$ 0.80	\$	\$ 0.79	\$	\$ 0.87	\$	\$ 0.85 per line
	41-150 lbs.	\$ 9.23	\$	\$ 9.16	\$	\$ 10.12	\$	\$ 9.90 per line
	151-2000 lbs.	\$ 21.01	\$	\$ 20.86	\$	\$ 23.04	\$	\$ 22.55 per line
	2000+ lbs.	\$ 0.0106	\$	\$ 0.0100	\$	\$ 0.0117	\$	\$ 0.0115 per lb. + 151-2000 rate
Transshipments								
Mark For		\$ 5.40	\$	\$ 5.16	\$	\$ 5.06	\$	\$ 4.94 per line
Onbase		\$ 10.39	\$	\$ 9.87	\$	\$ 9.68	\$	\$ 9.45 per line
Offbase		\$ 20.44	\$	\$ 19.36	\$	\$ 18.98	\$	\$ 18.53 per line
Material Processing Center								
	1-40 lbs.	\$ 1.54	\$	\$ 1.53	\$	\$ 1.69	\$	\$ 1.65 per line
	41-150 lbs.	\$ 21.24	\$	\$ 21.09	\$	\$ 23.30	\$	\$ 22.80 per line
	151-2000 lbs.	\$ 42.07	\$	\$ 41.77	\$	\$ 46.14	\$	\$ 45.15 per line
	2000+ lbs.	\$ 0.0157	\$	\$ 0.0200	\$	\$ 0.0172	\$	\$ 0.0169 per lb. + 151-2000 rate
Estimated Transportation		\$ 255,800,000		\$ 248,400,000		\$ 243,300,000		\$ 241,700,000
Total Processing Cost		\$ 795,800,000		\$ 756,800,000		\$ 794,200,000		\$ 778,000,000
Composite Rate (without Transportation)		\$ 21.78		\$ 21.34		\$ 23.57		\$ 23.07
Workload		22.6M Lines		23.3M Lines		23.4M Lines		23.3M Lines

Storage Rates. Under Net Landed Cost for storage, DLA's customers are provided item cube data at the national stock number level by distribution center in order to help the customer make better sourcing decisions. To the extent possible, DLA is continuing to vacate warehouses and return them to hosts/owners.

Customer Rate
Average Cost Per Cubic Foot

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Covered Storage	\$3.122	\$2.810	\$2.789	\$3.048
Open Storage	\$0.901	\$0.799	\$0.618	\$0.620
Specialized Storage	\$4.289	\$3.952	\$4.018	\$4.914

Reimbursables. DLA charges two rates to capture customer directed workload performed: 1) at DLA facilities, and 2) at customer facilities.

The following table outlines DLA's total workload and rate schedule:

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Hourly Workload	1.6M	1.4M	1.3M	1.2M
DLA Facilities	\$63.46	\$64.86	\$64.82	\$64.46
Non-DLA Facilities	\$50.77	\$51.89	\$51.86	\$51.57

Note: Non-DLA facilities rate excludes costs for utilities, maintenance, and corporate overhead

Over-Ocean Transportation/Container Consolidation Point (OOT/CCP):

During FY 2006, DLA continued experiencing increased transportation costs of \$1.174 billion as a result of higher fuel costs; expenditures for the purchase of RF tags, pallets, nets, and containers in support of CCP operations; as well as a \$228 million cash surcharge by TRANSCOM in order to maintain their solvency. The CCP workload during FY 2006 was 2.9 million lines, which is expected to continue throughout the budget period.

OPERATING RESULT. The decline in revenue and cost over the budget period reflects reduced workload experienced in FY 2005 and projected to continue through the budget period. The Net Operating Result (NOR) losses shown below reflect: (1) reduced

processing workload in FY 2006, below the levels projected in the FY 2006 President's Budget when rates were set (22.6 million lines vice 26.5 million lines); (2) adjustments to FY 2007 rates to return gains from processing and storage in prior years (the gains in prior years were the result of OEF/OIF workload increases), and (3) funding current year costs to realize future year savings and readiness. We are projecting an AOR goal of zero by FY 2009.

	NOR/AOR (\$ in Millions)			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	2,552.6	1,451.0	1,732.5	1,713.8
Expenses	2,339.8	1,513.0	1,724.8	1,713.8
Operating Result	212.8	(62.0)	7.8	0.0
Plus Appropriations	25.0	0.0	0.0	0.0
Affecting NOR/AOR				
Other Changes Affecting NOR	0.0	0.0	(247.7)	(247.6)
NOR	237.8	(62.0)	(239.9)	(247.6)
Prior year AOR	311.7	549.5	487.5	247.6
Non-Recoverable Adjustment				
Impacting AOR	0.0	0.0	0.0	0.0
AOR	549.5	487.5	247.6	0.0

CAPITAL INVESTMENTS

The Capital Investment program finances the reinvestment in the infrastructure for this activity group. The Distribution Depot Activity Group submits the following requirements:

	(Dollars in Millions)			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment (non-ADP)	\$12.7	\$17.9	\$20.7	\$20.8
Equipment (ADP/T)	\$14.8	\$11.4	\$7.0	\$6.8
Software Development	\$1.3	\$8.0	\$2.3	\$2.3
Minor Construction	\$5.8	\$8.9	\$9.0	\$9.0
Total	\$34.6	\$46.1	\$39.0	\$38.9

In FY 2008 and FY 2009 the capital budget estimate decreases as RFID is implemented at CONUS and OCONUS sites. Also, as the Distribution Planning Management System (DPMS) is deployed in FY 2007 Software Development requirements decrease. DPMS will provide process integration to evaluate and optimize, at a global level, transportation operations. It will also integrate information about transportation rates, routes, carrier capacities and customer service requirements to better manage asset visibility and cost.

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Distribution Depots Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 Changes in Cost of Operations
 February 2007
 (Dollars in Millions)

		EXPENSES	
FY 06 Actual		2,452.0	
FY 07 Estimate in President's Budget		2,426.7	
Estimated Impact in FY 07 of Actual FY 06 Experience:			
Depreciation		8.5	
Personnel Costs		25.1	
Supplies and Material		13.5	
Travel and Transportation of Personnel		5.3	
Transportation		(1,005.6)	
Interfund Purchases		6.3	
Other Purchased Services		(1.7)	
Equipment		0.8	
Pricing Adjustments:			
Annualization of FY 06 Pay Raise		3.8	
FY 07 Pay Raise		8.0	
General Purpose Inflation		23.5	
Program Changes:			
Minor Construction		2.0	
Workload Decrease		(28.5)	
FY 07 Current Estimate		1,513.0	

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Distribution Depots Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 Changes in Cost of Operations
 February 2007
 (Dollars in Millions)

		EXPENSES	
FY 07 Current Estimate		1,513.0	
Pricing Adjustments:			
Annualization of FY 07 Pay Raise		3.1	
FY 08 Civilian Personnel Pay Raise		12.8	
General Purpose Inflation		25.1	
Program Changes:			
BRAC 2005		9.0	
Workload Decrease		(29.3)	
Minor Construction		2.1	
Personnel Costs		65.0	
Other		124.0	
FY 08 Estimate		1,724.8	
Pricing Adjustments:			
Annualization of FY 07 Pay Raise		3.3	
FY 09 Civilian Personnel Pay Raise		9.9	
General Purpose Inflation		23.4	
Program Changes:			
BRAC 2005		40.1	
Workload Decrease		(29.1)	
Minor Construction		2.0	
Personnel Costs		(11.9)	
Other		(48.7)	
FY 09 Estimate		1,713.8	

Exhibit Fund-2 Changes in the Costs of Operation

(page 2 of 2)

Defense Logistics Agency
Defense-Wide Working Capital Fund
Distribution Depots Activity Group
Fiscal Year (FY) 2008/2009 Budget Estimates
Source of New Orders and Revenue
February 2007
(Dollars in Millions)

	FY 06	FY 07	FY 08	FY 09
1. New Orders				
a. Orders from DoD Components:	992.6	373.6	494.5	519.4
Other Services (Appropriated)				
DLA	6.3	37.3	190.8	238.8
Army	637.1	95.7	86.4	75.1
Navy	99.4	33.3	28.0	21.5
Air Force	112.4	54.8	46.0	35.4
Marine Corps	50.8	6.7	5.6	4.3
QOL	3.2	3.4	3.5	3.6
DDMA	16.0	16.9	20.9	19.4
TSCP	11.8	27.1	27.1	27.1
SRM	55.6	98.5	86.1	94.1
b. Orders from Other Working Capital Fund Activity Groups:	1,560.1	1,077.4	1,238.0	1,194.4
DLA	528.7	538.6	636.4	615.6
Army	697.5	294.0	294.2	279.0
Navy	107.4	83.7	105.1	103.3
Air Force	182.2	146.4	142.3	142.1
Marine Corps	41.4	9.4	48.5	42.9
Other	2.8	5.3	11.6	11.4
c. Total DoD:	2,552.6	1,451.0	1,732.5	1,713.8
d. Other Orders:	0.0	0.0	0.0	0.0
Other Federal Agencies				
Trust Fund				
Non Federal Agencies				
Foreign Military Sales				
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	2,552.6	1,451.0	1,732.5	1,713.8
4. Funded Carry-over	0.0	0.0	0.0	0.0
5. Total Gross Sales	2,552.6	1,451.0	1,732.5	1,713.8

Defense Logistics Agency
 Defense-Wide Working Capital Fund
 Distribution Depots Activity Group
 Fiscal Year (FY) 2008/2009 Budget Estimates
 Revenue and Expenses
 February 2007
 (Dollars in Millions)

	FY 06	FY 07	FY 08	FY 09
Revenue:				
Gross Sales	0.0	0.0	0.0	0.0
Operations	2,518.4	1,408.5	1,693.0	1,675.5
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation excluding Maj Const	34.2	42.5	39.5	38.3
Other Income				
Total Income:	2,552.6	1,451.0	1,732.5	1,713.8
Expenses:				
Cost of Material Sold from Inventory	0.0	0.0	0.0	0.0
Salaries and Wages:				
Military Personnel	10.1	12.6	13.0	13.5
Civilian Personnel	458.2	490.2	570.6	571.6
Travel & Transportation of Personnel	6.8	11.8	10.1	10.3
Materials & Supplies (for Internal Operations)	61.2	78.8	70.0	61.2
Equipment	22.2	26.4	36.5	37.1
Other Purchased Services from Revolving Funds	40.6	46.4	52.5	53.5
Transportation of Things	1,397.1	397.8	375.1	358.2
Depreciation-Capital	34.2	42.5	39.5	38.3
Printing and Reproduction	5.6	7.9	7.6	7.2
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Communication, Utilities, & Misc. Charges	20.5	29.9	23.0	15.7
Other Purchased Services	283.2	368.7	526.9	547.2
Total Expenses	2,339.8	1,513.0	1,724.8	1,713.8
Operating Result	212.8	(62.0)	7.8	0.0
Less Capital Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	25.0	0.0	0.0	0.0
Other Changes Affecting NOR/AOR*	0.0	0.0	(247.7)	(247.6)
Net Operating Result	237.8	(62.0)	(239.9)	(247.6)
Prior Year AOR	311.7	549.5	487.5	247.6
Accumulated Operating Result	549.5	487.5	247.6	0.0

Exhibit Fund-14 Revenue and Expenses

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2008/2009 Budget Estimates
February 2007

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Defense Reutilization and Marketing Service (DRMS) Activity Group is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2006, DRMS received 3.1 million line items of useable property. DoD inventory managers submit requirements to DLA via automated requisitions using standard requisition and issue procedures. Items received by the DLA Defense Reutilization and Marketing Offices (DRMOs) that meet Military Services item manager criteria are automatically referred through front-end screening notices. The Military Services and the DLA Inventory Control Points reutilized \$1.8 billion worth of personal property in FY 2006, resulting in savings to the DoD and the Government. If property is not reutilized, it can be transferred to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations.

Note: In FY 2006, DRMS donated \$21 million worth of property (generators, heavy equipment, cots, blankets, and health and comfort kits) to support relief efforts for Hurricanes Katrina and Rita and \$3.3 million to support relief efforts after the Pakistan earthquake.

Depending on the nature of the property, the balance may be offered for competitive sale to the public.

In addition to useable property, DRMS received, recycled and/or disposed of over one billion pounds of scrap. DRMS also manages the DoD precious metals recovery program, extracting these commodities from scrap metals. In FY 2006, DRMS achieved the goals requested by the Defense Supply Center Philadelphia with deposits exceeding over \$5.2 million in precious metals values.

Some types of property require special handling to reduce risk to the public. Property having offensive or defensive characteristics undergoes a demilitarization process to remove

those characteristics. In FY 2006, DRMS demilitarized over two hundred thousand line items. Property that may contain small amounts of environmentally regulated substances not easily identifiable, such as electronic scrap, undergoes a demanufacturing process to ensure that no hazardous waste is inadvertently released into the environment.

The DLA disposal mission includes hazardous property disposition. In this capacity, DLA handles the vast majority of DoD property governed by the Resource Conservation Recovery Act (RCRA) of 1976, as amended. Some hazardous material has reutilization and/or sales value and goes through the same process as all other DoD property. In FY 2006, DRMS disposed of over 8,000 line items of hazardous material by Reutilization/Transfer/Donation (R/T/D) and sales, which avoided contractual disposal as hazardous waste. Once it has been screened for potential reutilization or sales value, all hazardous waste is directly disposed of through contracts managed by DLA and funded on a reimbursable basis by the Military Services.

Throughout the disposal process, DRMS is required to maintain stringent accountability for all excess and surplus property. This is done using the Disposal Automated Information System (DAISY).

The operational core of this organization lies with individual DRMOs located on military installations throughout the world. DRMOs receive, classify, segregate, demilitarize, account for and report excess material for screening, lotting, merchandising, and sales. Operational control and oversight is provided by DRMS headquarters, located in Battle Creek, Michigan.

CHANGES IN OPERATIONS

DRMS has adopted a corporate strategy of focusing, managing, and measuring logistics support based on customer needs; consistently providing responsive, best value supplies and services to their customers. DRMS is transitioning from a primarily geography-based activity that disposes of excess property to an information-based activity that utilizes a combination of best business practices to dispose of excess materiel more quickly and with a greater return on investment. 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.

In direct response to recent audits, this budget includes \$11.1 million in FY 2007 and \$11.4 million in FY 2008 and FY 2009 to implement a fundamental redesign of the disposal model that will add additional inspection and controls at the point of release of surplus property. DRMS will continue to take advantage of the efficiencies gained by placing low dollar, non-sensitive property into batchlots. The revised process will allow batchlots to flow through the reutilization, transfer and donation cycle. When batchlots move to the sales cycle, they will be shipped to one of a small number of centralized sites where they will undergo a 100 percent physical inspection of all items prior to sale. National Stock Numbers will also be run through an automated program to determine if the demilitarization code has been changed since receipt, which would preclude sale of the item(s).

Approximately 40 percent of useable property is received with a Local Stock Number (LSN) which means that the property was procured outside of the DoD supply system. LSN property brings some additional challenges. DRMS cannot obtain automated information about the contents and characteristics of the property from the system and must rely on the generator to provide complete, accurate information to support compliant disposal decisions. Questionable LSN property will also be processed through the centralized inspection sites prior to sale.

DRMS continues to work with the Joint Equipment Assessment Program to ensure that all Nuclear Biological Chemical (NBC) assets are accountable in the DoD supply system and that none of these assets leave the DoD supply system without proper tracking.

DRMS is continuing to take a proactive approach in working with the Military Services to improve their performance in preparing and correctly identifying excess property for disposal. DRMS has provided disposal service representatives (DSR) in the field to work with the generators of excess property. These DSRs serve as a focal point for turn-ins and ensure proper identification and documentation of excess property.

DRMS' first round A-76 study, completed in June 2000, converted performance of logistics functions at 10 DRMOs from government to contractor performance. In October 2001, DLA announced a second DRMS A-76 study of the property receiving, warehousing, and issuance functions at most of the remaining CONUS DRMOs.

Offerors were required to submit a disposal network redesign to reduce excess infrastructure to include closing storage locations at a minimum of 15 DRMOs. The winner of this competition was the governmental Most Efficient Organization (MEO).

Implementation of the MEO was completed by the end of FY 2006. The MEO consolidated the receipt and storage of useable property at 18 operating locations and ceased warehouse operations at 50 other locations. DRMS partnered with the DLA Distribution Business Area to transport excess property from locations without warehouse capability to one of 11 hub locations. DRMS pioneered a joint commercial venture (CV) agreement with a private sector firm to sell the majority of excess useable property in the continental U.S (CONUS). This approach allows DRMS to capitalize on private sector flexibility and expertise. As this partnership has matured, Government Liquidator's performance has continued to improve, realizing increasingly better rates of return on sales. In FY 2005, DRMS awarded the Scrap Venture (SV) contract that initiated a similar public/private partnership for the sale of scrap in CONUS. Scrap Venture became fully operational in FY 2006 and is showing very positive returns. For FY 2006, SV sold scrap for an average price per pound of \$0.16 compared to the DRMS historical average of \$0.05 per pound.

SUPPORT FOR THE GLOBAL WAR ON TERRORISM (GWOT)

DRMS is experiencing operational and financial impacts from its support for the GWOT, including Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF). DRMS is currently providing disposal support to all 47 countries in the Central Command (CENTCOM) area of responsibility, as well as OEF operations in the Philippines. DRMS provides support from operating locations in Kuwait, Bahrain, the United Arab Emirates, Afghanistan, and Iraq with four fully operational DRMOs as well as unmanned pickup locations.

DRMS also has established 43 positions in this theatre. DRMS provides advance disposal advice and on-the-ground expertise throughout Iraq to support the closure of Forward Operating Bases and expects heavy involvement in the retrograde of Military Service owned property back to CONUS. DRMS deploys personnel, as part of the DLA Contingency Support Team (DCST), for six months at a time to Iraq, Kuwait, and Afghanistan. Volunteers are used from the DRMS workforce and DRMS

Reservists. In addition, DRMS provides Temporary Duty support from the continental U.S. and overseas locations, as required.

DRMS' recurring requirements for the GWOT are covered in the current budget proposal as opposed to a Supplemental request. Included is the \$11.2 million in FY 2007 and \$14.5 million in FY 2008 needed for continuing operations at the four established DRMOs in Southwest Asia, as well as resources to maintain the two newest DRMOs in Iraq, DRMO Speicher and DRMO Victory. These additional DRMOs are needed to handle the growing workload in this part of the world. Support for GWOT will be covered by the prior year's positive operating results and will not be passed on to the Services as an additional bill. There is a supplemental request for an additional \$3.8 million in FY 2007 and an additional \$5.3 million in FY 2008 to defray the costs for demilitarization operations and equipment to support these forward locations. These estimates were prepared prior to the President's decision to deploy additional forces to Iraq.

BUDGET HIGHLIGHTS

TRANSACTION ACTIVITY BILLING (TAB):

DRMS recovers approximately 50 percent of their operating costs through Service Level Billing of the Military Services and Agencies that use DRMS. Bills are formulated with an Activity Based Costing (ABC) model that uses disposal workload to allocate the service level bill to the Military Services and DLA Supply Centers based on each component's use of DRMS' services. We have used the TAB application workload estimates to determine customer funding levels. Customer service level billings, using this model, are projected below:

TRANSACTION ACTIVITY BILLING (\$ in Millions)

<u>Customer</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Army	55.3	41.5	55.2	68.4
Navy	36.8	28.0	37.3	46.1
Air Force	25.0	18.7	24.8	30.8
DLA	<u>35.4</u>	<u>15.5</u>	<u>20.7</u>	<u>25.6</u>
Total	152.5	103.7	138.0	170.9

Due to increased workload and better than expected performance by DRMS' CV and SV partners, DRMS achieved higher than expected

sales in fiscal years 2004 through 2006. This resulted in a positive Accumulated Operating Result (AOR), which is being refunded to the customers as lower service level bills in fiscal years 2007 and 2008.

PERFORMANCE INDICATORS

The performance metrics for this activity group are a reflection of priorities established by the DLA strategic plan. The following metrics are a combination of traditional operational and financial measures as well as measures identified through the Balanced Scorecard process.

1. FINANCIAL/UNIT COST:

DRMS earns its obligation authority through unit cost goals. This submission continues the DRMS unit cost structure along five major work processes implemented in FY 2003. The unit cost structure recognizes that: (1) every line item of useable property and every pound of scrap received for disposal incurs processing costs regardless of the method of final disposition; (2) there are types of excess property that require costly special handling (i.e., demilitarization) without generating any economic return to DoD through reutilization or sales; and (3) processes that are being performed through private sector partnerships (i.e., commercial venture sales) incur some cost for government oversight. The unit cost structure is also flexible enough to remain viable during periods of significant process changes.

The DRMS unit cost goals are based on the major work processes:

- a. Receiving** unit cost goal is based on the total cost associated with the stock, store and issue (logistics) of useable property divided by the number of line items of useable property received.
- b. Reutilization/Transfer/Donation (RTD)** unit cost goal is based on the total cost associated with reutilizing, transferring and donating excess personal property divided by line items of property disposed via RTD.
- c. Sales** unit cost goal is based on all costs associated with the public sale of surplus personal property divided by the number of line items of property sold.
- d. Hazardous Waste Disposal** unit cost goal is based on the non-contract costs associated with environmentally

regulated disposal of hazardous waste divided by the number of pounds of hazardous waste disposed.

- e. **Recycling/Disposal** unit cost goal is based on the cost of either storing in a landfill or destruction of those non-hazardous items, including property that requires demilitarization and scrap, that remain at the end of the disposal process as well as the cost of all recycling processes divided by the number of pounds of property disposed.

Costs are allocated using an Activity Based Costing (ABC) Model. DRMS updates and refines the ABC Model during each budget submission to more accurately capture costs. The estimated goals and workload contained in this budget estimate are reflected below:

Unit Cost Structure.

WORKLOAD (in Millions)

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Estimate</u>	FY 2009 <u>Estimate</u>
Receiving 1/	3.128	3.992	3.922	3.854
R/T/D 2/	0.227	0.210	0.216	0.213
Sales 2/	0.534	0.700	0.707	0.714
Haz Waste Disp 3/	161.7	230.0	225.0	225.0
Recycling/Disp 3/	1205.9	1102.3	1063.7	1026.4

1/Workload in millions of lines items received

2/Workload in millions of line items disposed

3/Workload in millions of pounds disposed

UNIT COST (\$ in Millions)

	FY 2006 <u>Actual</u>	FY 2007 <u>Goal</u>	FY 2008 <u>Goal</u>	FY 2009 <u>Goal</u>
Receiving	30.385	25.394	26.415	26.825
R/T/D	167.579	253.851	252.941	255.079
Sales	28.173	30.502	30.863	30.495
Haz Waste Disp	0.264	0.186	0.194	0.193
Recycling/Disp	0.037	0.044	0.046	0.048

Workload.

Workload projections were reviewed and revised based on input from DRMS generators. The Services are doing a better job of managing their inventories and thus generating less excess property; therefore, a decline in workload is expected. However, this is countered by additional workload resulting from troop rotation and deployment as well as workload resulting from OEF/OIF. DRMS expects a workload impact from the retrograde of useable property out of Iraq by the Army; however, we are unable to estimate quantities at this time. Costs for retrograde have not been included in this budget estimate. Beginning in FY 2007 through FY 2009, useable receipts are projected to increase by 500,000 line items per year due to the implementation of the BRAC 05 Supply, Storage, and Distribution Management Reconfiguration decision. Functions will transfer from the Services to DLA and focus on disposal of DoD inactive stocks and duplicative inventories to reduce covered storage space. Total workload is projected to increase 28 percent from FY 2006 to FY 2007 then remain relatively stable over the budget period.

2. REUTILIZATION/TRANSFER/DONATION (R/T/D):

RTD performance indicator is measured by the number of line items of useable property disposed by R/T/D expressed as a percentage of total line items of useable property disposed. Viewing R/T/D dispositions as a percentage of total dispositions indicates compliance with regulations that mandate reuse through these cost avoidance programs as the first priority of disposal.

3. PERCENT OF HAZARDOUS MATERIAL (HM) DISPOSED BY REUTILIZATION/TRANSFER/DONATION/SALES(R/T/D/S):

This metric is measured by the number of line items of HM disposed by R/T/D/S expressed as a percentage of total line items of HM disposed. Disposing of HM through R/T/D/S prevents the need to expend DoD funds disposing of hazardous waste on a disposal contract, resulting in a cost avoidance for DoD.

4. CUSTOMER SATISFACTION:

The customer satisfaction index, as measured by overall customer satisfaction based on survey data, is the percentage of customers who are satisfied or very satisfied with DRMS services/products.

<u>PERFORMANCE MEASURE</u>	<u>Goal</u>	FY 2006 <u>ACTUAL</u>	FY 2007 <u>GOAL</u>	FY 2008 <u>GOAL</u>	FY 2009 <u>GOAL</u>
R/T/D	Not less than:	19%	19%	19%	19%
Percent of Hazardous Materials Disposed by R/T/D/S	Not less than:	68%	60%	60%	60%
Customer Satisfaction Index	Not less than:	97%	90%	90%	90%

The complexity of the workload continues to increase. DRMS serves as the last touch point in the life cycle of DoD assets and is responsible for ensuring that no unauthorized release occurs.

End strength and FTE estimates reflect both the volume and complexity of disposal workload and are essential to support disposal requirements around the world, particularly support to CENTCOM, and to maximize return to the taxpayers. Most importantly, these resources are critical to maintain national security.

NET OPERATING RESULT (NOR)/ACCUMULATED OPERATING RESULT (AOR)

DRMS experienced a gain of \$28.3 million primarily attributable to strong performance from commercial venture and scrap venture contract sales. A projected loss of \$72.5 million in FY 2007 is driven by the return of prior year positive AOR. Due to increased disposal workload, a larger volume of surplus property is being sold. DRMS' commercial venture and scrap venture partner is also selling at a higher rate of return than expected. This is due to reductions in our commercial partner's operating costs, expansion of the bidder base to increase competition and the use of innovative sales methods such as internet sales. Fiscal years 2008 and 2009 also reflect operating losses due to the return of prior year AOR profits allowing breakeven by the end of FY 2009.

Revenue projections have been adjusted for FY 2007, FY 2008 and FY 2009 to reflect changes in estimated sales proceeds and the Service Level Bill. Sales proceeds are projected to be an average of 15 percent higher than previously estimated. This is

based on having more property available to sell due to higher generations as well as an expectation that the current level of performance by the DRMS' commercial venture and scrap venture partner will continue. The projected sales performance assumes that DRMS will continue to be allowed to sell types and volumes of property consistent with current operations. Should these property streams become more tightly controlled based on risk management assessments, the ability to meet these sales projections will be impacted. The Service Level Billing is decreased in FY 2007 and FY 2008 to return NOR gains due to higher sales. FY 2009 rates reflect normalized operations.

NOR/AOR (\$ in Millions)

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Estimate</u>	FY 2009 <u>Estimate</u>
Revenue	318.4	274.3	325.8	326.7
Expenses	290.1	346.8	363.1	365.1
NOR	28.3	-72.5	-37.3	-38.4
Prior Year AOR	119.9	148.2	75.7	38.4
AOR	148.2	75.7	38.4	0.0

NET OUTLAYS

DRMS net outlay in FY 2006 was -28.9 million dollars. Net outlays will increase in FY 2007 and 2008 due to the return of positive AOR to the Military Services, then will normalize in FY 2009.

NET OUTLAYS (\$ in Millions)

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Estimate</u>	FY 2008 <u>Estimate</u>
Disbursements	295.0	343.8	360.9	364.2
Collections	323.9	273.7	323.3	336.0
Net Outlays	-28.9	70.1	37.6	28.2

MILITARY AND CIVILIAN PERSONNEL

The personnel estimates in this budget reflect A-76 round two reductions. They also include additional resources to support increasing disposal requirements to CENTCOM and to implement changes in the disposal model necessary to ensure that excess DoD property cannot be used against the United States and its Allies.

The table identifies budget estimates for full-time equivalents and end strength for DRMS and corporate allocations. Staffing is stable over the budget period and is consistent with workload projections.

	MILITARY AND CIVILIAN PERSONNEL			
	FY 2006	FY 2007	FY 2008	FY 2009
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
End Strength				
Military	11	11	11	11
Civilian	1,432	1,760	1,760	1,750
Total	1,443	1,771	1,771	1,761
Full-time Equivalents				
Military	11	11	11	11
Civilian	1,470	1,759	1,760	1,754
Total	1,481	1,770	1,771	1,765

CAPITAL EXPENDITURES

DRMS monitors the condition of facilities and equipment at 95 DRMOs to maintain a safe and healthy workplace in accordance with stringent environmental, safety, and health regulations. In FY 2007 and FY 2008, DRMS will replace scrap handlers and front end loaders that have reached or exceeded their useful life at various DRMOs. Loaders will also be replaced in FY 2009.

Beginning in FY 2007, DRMS will begin the Reutilization Modernization Program (RMP). The RMP will satisfy new mission system requirements using a commercial off the shelf (COTS) approach. The investment includes costs associated with the purchase of demand planning, commercial inventory management, and property accounting software to replace DRMS legacy applications. The investment will also include integration with

DLA's Enterprise Resource Planning System. By leveraging information technology to synchronize DRMS operations with the supply chain, RMP will target essential processes to facilitate worldwide reuse, recycling and disposal solutions using a financially compliant business system. RMP will address recent audit findings as well as improve financial audibility. This budget contains additional resources for RMP based on a revised economic analysis (January 2006) that identified several significant gaps from the baseline economic analysis prepared in 2003. These additional requirements include funding for reports, interfaces, conversions and extensions, blueprinting and sustainment.

Minor Construction projects will enhance operations at various storage facilities and will promote proper handling of hazardous materials, hazardous waste, and items requiring demilitarization. Minor construction projects in FY 2007, FY 2008, and FY 2009 will alter facilities to accommodate mission consolidation and relocation, renovate demilitarization facilities and upgrade security facilities.

The table below depicts actual capital obligations for FY 2006 and program budget authority for FY 2007 through FY 2009. \$19.5 million of FY 2006 budget authority for RMP was carried over to FY 2007. All software development in the capital portion of this budget is for RMP.

CAPITAL PROGRAM BUDGET AUTHORITY
(\$ in Millions)

	<u>FY 2006</u> <u>Actual</u>	<u>FY 2007</u> <u>Estimate</u>	<u>FY 2008</u> <u>Estimate</u>	<u>FY 2009</u> <u>Estimate</u>
Non-ADP Equipment	1.3	1.1	1.3	1.2
ADP Equipment	0.0	0.0	0.0	1.6
Software Development	0.0	10.7	23.6	9.8
Minor Construction	0.0	2.0	2.1	2.1
Total	1.3	13.8	27.0	14.7

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Defense Reutilization and Marketing Service
 Fiscal Year (FY) 2008/2009 Budget Estimates
 Changes in the Cost of Operations
 February 2007
 (\$M)

	EXPENSES
FY 2006 Actual	296.7
FY 2007 Estimate in President's Budget	367.8
Estimated Impact in FY 2007 of Actual FY 2006 Experience:	
<u>Pricing Adjustments</u>	8.0
Labor	2.8
Nonlabor	5.2
Program Changes:	42.2
Military Personnel Cost	0.5
Civilian Personnel Cost	8.2
Travel of Persons	1.1
Materials and Supplies	2.9
Equipment	-0.7
Intrafund Purchases	5.3
Transportation of Things	5.0
Depreciation	1.2
Other Purchased Services	18.5
FY 2007 Current Estimate	346.8
	EXPENSES
FY 2007 Estimated Actual	346.8
<u>Pricing Adjustments</u>	8.5
Labor	3.3
Nonlabor	5.2
Program Changes:	7.9
Military Personnel Cost	0.0
Civilian Personnel Cost	-0.7
Travel of Persons	-0.3
Supplies	-0.1
Equipment	-0.4
Intrafund Purchases	-4.6
Transportation of Things	-0.4
Depreciation	2.4
Other Purchased Services	12.0
FY 2008 Current Estimate	363.1

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2008/2009 Budget Estimates
Changes in the Cost of Operations
February 2007
(\$M)

	EXPENSES
FY 2008 Estimated Actual	363.1
<u>Pricing Adjustments</u>	8.2
Labor	3.0
Nonlabor	5.2
Program Changes:	-6.2
Military Personnel Cost	0.0
Civilian Personnel Cost	-0.6
Travel of Persons	-0.1
Supplies	-0.1
Equipment	0.6
Intrafund Purchases	-0.7
Transportation of Things	-0.9
Depreciation	2.1
Other Purchased Services	-6.6
FY 2009 Current Estimate	365.2

DEFENSE LOGISTICS AGENCY
Defense Wide-Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2008/2009 Budget Estimates
Source of New Orders and Revenue
February 2007
(\$M)

	FY 2006	FY 2007	FY 2008	FY 2009
1.New Orders				
a.Orders from DoD Components	207.3	175.7	217.3	251.2
Army	81.2	73.6	90.5	104.1
Navy	54.3	51.0	62.6	71.8
Air Force	37.2	34.4	42.1	48.3
Other	34.6	16.8	22.0	27.0
b.Orders from Other Fund Activity Group	8.3	10.3	13.7	15.3
c.Total DoD	215.6	186.0	231.0	266.4
d.Other Orders:	2.4	2.8	2.7	2.7
Other Federal Agencies	1.5	1.5	1.5	1.5
Foreign Military Sales	0.9	1.3	1.2	1.2
Total New Orders	218.0	188.8	233.7	269.1
2.Carry-In Orders	0.0	0.0	0.0	0.0
3.Total Gross Orders	218.0	188.8	233.7	269.1
4.Sales Proceeds	100.4	85.5	92.1	57.6
5.Total Gross Sales	318.4	274.3	325.8	326.7

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2008/2009 Budget Estimates
Revenue and Expenses
February 2007
(\$ in Millions)

	FY 2006	FY 2007	FY 2008	FY 2009
Revenue				
Gross Sales				
Operations	310.7	265.4	314.5	313.2
Depreciation excluding Major Construction	7.7	8.9	11.3	13.5
Total Income:	318.4	274.3	325.8	326.7
Expenses				
Salaries and Wages:				
Military Personnel Compensation & Benefits	0.1	0.7	0.7	0.7
Civilian Personnel Compensation & Benefits	103.1	122.4	125.0	127.4
Travel & Transportation of Personnel	4.0	5.2	5.0	5.0
Materials & Supplies (For Internal Operations)	0.2	3.2	3.2	3.3
Equipment	3.7	4.8	4.4	5.1
Other Purchases from Revolving Funds	9.5	16.8	12.5	12.1
Transportation of Things	24.9	32.4	32.7	32.6
Depreciation - Capital	7.7	8.9	11.3	13.5
Printing and Reproduction	0.0	0.4	0.4	0.4
Rent, Communication, Utilities & Misc. Charges	6.0	5.0	5.0	5.1
Advisory & Assistance Services	0.3	0.5	0.4	0.4
Other Purchased Services	130.7	146.5	162.4	159.5
Total Expenses	290.1	346.8	363.1	365.1
Operating Result	28.3	-72.5	-37.3	-38.4
Adjustments Affecting NOR/AOR	0.0	0.0	0.0	0.0
Net Operating Result	28.3	-72.5	-37.3	-38.4
Prior Year Adjustments -- Prior Year AOR	119.9	148.2	75.7	38.4
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result	119.9	148.2	75.7	38.4
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result for Budget Purposes	148.2	75.7	38.4	0.0

**Defense Logistics Agency
Defense Wide Working Capital Fund (DWWCF)
Document Automation & Production Service
Fiscal Year (FY) 2008/2009 Budget Estimates**

FUNCTIONAL DESCRIPTION: The Document Automation & Production Service (DAPS) 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 information. DAPS provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office.

DAPS' value to DoD is characterized by two elements. First, DAPS provides a full portfolio of best value document services ranging from traditional offset printing, through on-demand output, to online document services. Second, DAPS 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 target digital formats. The results bear out this dynamic transformation in document management - in the past 7 years offset printing workload has decreased 44 percent, on-demand output (high-speed copying) workload has decreased 52 percent and on-line services workload has increased 114 percent.

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 194 production facilities.

CUSTOMERS: DAPS' primary customers are Army (21 percent), Navy (27 percent), Air Force (23 percent), Defense Agencies (23 percent), and non-DoD customers (6 percent). Both appropriated and DWWCF-funded activities are included in each Service's percentage.

BUDGET HIGHLIGHTS

These estimates were prepared prior to the President's decision to deploy additional forces to Iraq.

PERFORMANCE INDICATORS:

1) Conversion to Digital Format: This performance metric measures the number of pages (in millions) converted to digital format during the year. Conversions may be accomplished either in-house or by contract and include hardcopy to digital, system output to digital, and from one form of digital to another. Actual production of 62.0 million pages was 2 percent below the goal to convert 63.2 million pages. The primary reason for the below plan result was a decrease in the number of solicitation pages processed by DAPS.

2) Customer Satisfaction: This performance metric measures satisfied customers as the percentage of customers ranking DAPS performance as "satisfied" or "very satisfied." DAPS uses a survey, professionally prepared and administered by an independent entity, to determine an overall customer satisfaction rating. DAPS achieved a customer satisfaction rating of 97 percent for FY 2006, exceeding its goal of 90 percent.

3) Rework: In-house rework percentage is used to measure the quality of delivered products. This performance metric is calculated by dividing (1) revenue lost from orders not accepted by (2) the total in-house production revenue. During FY 2006, DAPS achieved a rework percentage of 0.24 to better the goal of 0.30 percent.

4) On-Time Delivery: This performance metric measures the timeliness of order completion. The performance metric is calculated by the dividing the total in-house orders completed on time by the total in-house orders. DAPS achieved an on-time delivery rate of 99.3 percent, exceeding its goal of 98.0 percent.

FINANCIAL PERFORMANCE MEASURE: In addition to program performance measures, DLA measures the effectiveness of program budgeting and execution with a unit cost performance measure. DAPS Annual Operating Budget (AOB) calculates this performance by dividing the total units by the total in-house cost.

	<u>FY 06 Goal</u>	<u>FY 06 Actual</u>
Unit Cost per In-house Production Unit	.0477	.0446

In-house units produced were over 5 percent lower than planned, 2,841 million actual versus 3,003 million planned; and actual in-house costs were almost 12 percent lower than planned, \$126.7 million actual versus \$143.3 million planned. By incurring less cost, while producing fewer units DAPS was still able to better its unit cost goal by more than 6 percent.

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 revenues exceeded expenses for the business activity.

AOR reflects multi-year results of annual NORs. It measures the accumulated affects of NORs from the inception of the business unit and demonstrates fiscal strength over a longer time.

The following chart depicts the actual NOR/AOR for FY 2006 and the projected NOR/AOR for FY 2007 through FY 2009:

(\$ Millions)	FY 06	FY 07	FY 08	FY 09
NOR	4.2	(8.6)	(3.9)	0.0
Prior Year AOR	18.9	23.1	14.5	10.6
AOR	23.1	14.5	10.6	10.6

DAPS ended FY 2006 with a positive NOR of \$4.2 million against a goal of a negative \$3.4 million. The projected FY 2007 and FY 2008 losses reflect rates set to reduce AOR to the benefit of DAPS' customers.

PERSONNEL: This budget projects end strength decreases of 2.0 percent in FY 2008 and 1.0 percent in FY 2009. Reductions are due to changes in workload mix.

CAPITAL BUDGET: The capital budget is the account used to fund investments exceeding the \$100,000 expense/investment criteria. These investments fall into one of four categories: (1) Automated Data Processing Equipment (ADPE); (2) Non-ADPE; (3) software developed for operational and management information systems; and (4) minor construction projects. 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 DAPS prices.

ACTIVITY GROUP PROFILE

(Dollars and Workload in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Cost of Goods Sold	348.2	419.9	426.6	438.0
Net Operating Results	4.2	(8.6)	(3.9)	0.0
Accumulated Operating Results	23.1	14.5	10.6	10.6
Workload				
In-House Production (Units)	2,841.0	2,638.1	2,637.5	2,610.2
Unit Cost				
In-House Production	0.0446	0.0559	0.0577	0.0590
Customer Rate	0.0567	0.0544	0.0586	0.6090
Customer Rate Change	3.17%	0.00%	4.21%	2.82%
Document Conversion (pages)	62.0	66.4	69.7	73.2
Customer Satisfaction	97.0%	90.0%	90.0%	90.0%
Rework Requests	0.24%	0.27%	0.25%	0.25%
On-time Delivery	99.3%	98.0%	98.0%	98.0%
Civilian End Strength	768	785	769	761
Civilian Full-Time Equivalents	788	797	776	763
Equipment (Non-ADPE)	0.000	0.920	2.880	2.880
Equipment (ADPE)	1.549	0.789	0.999	1.442
Software Development	1.565	2.816	4.091	5.551
Minor Construction	0.000	0.300	0.300	0.300
TOTAL	3.114	4.825	8.270	10.173

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Document Automation & Production Service
 Fiscal Year (FY) 2008/2009 Budget Estimates
 Changes in the Cost of Operation
 (\$ in Millions)

	<u>Expenses</u>
FY 06 Actual:	348.2
FY 07 Estimate in President's Budget	431.8
Pricing Adjustments:	
Annualization of FY 06 Pay Raise	0.0
FY 07 Pay Raise	0.0
General Purpose Inflation	(0.5)
Program Changes:	
Civilian Personnel	(0.5)
Travel of Persons	0.0
Material and Supplies	(1.8)
Comm'l Equip Purchases	1.0
Other Purchases from Revolving Funds	0.3
Transportation of Things	(0.1)
Printing and Reproduction	(11.8)
Advisory and Assistance Services	0.0
Rent, Communications, Utilities:	(0.8)
Other Purchased Services	2.6
Depreciation	-0.3
FY 07 Current Estimate	419.9
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.3
FY 07 Pay Raise	1.2
General Purpose Inflation	8.5
Program Changes:	
Civilian Personnel	(1.0)
Travel of Persons	0.0
Material and Supplies	0.0
Comm'l Equip Purchases	(1.1)
Other Purchases from Revolving Funds	1.2
Transportation of Things	0.0
Printing and Reproduction	(4.1)
Advisory and Assistance Services	0.0
Rent, Communications, Utilities, and Misc	(0.3)
Other Purchased Services	1.2
Depreciation	0.8
FY 08 Current Estimate	426.6
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.4
FY 08 Pay Raise	0.9
General Purpose Inflation	8.4
Program Changes:	
Civilian Personnel	(0.6)
Travel of Persons	0.0
Material and Supplies	(0.5)
Comm'l Equip Purchases	0.0
Other Purchases from Revolving Funds	(0.3)
Transportation of Things	0.0
Printing and Reproduction	3.9
Advisory and Assistance Services	0.0
Rent, Communications, Utilities, and Misc	(0.2)
Other Purchased Services	(1.4)
Depreciation	0.8
FY 09 Current Estimate	438.0

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Document Automation & Production Service
 Fiscal Year (FY) 2008/2009 Budget Estimates
 Source of New Orders and Revenue
 (\$ in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders				
a. Orders from DoD Components	273.8	321.3	328.6	340.6
Department of the Navy	72.2	84.7	86.6	89.8
Operations and Maintenance, Navy	40.2	47.2	48.3	50.0
Operations and Maintenance, Marine Corps	14.2	16.7	17.1	17.7
O&M, Navy Reserve	2.1	2.5	2.5	2.6
O&M, Marine Corps Reserve	0.1	0.1	0.1	0.1
Aircraft Procurement, Navy	1.2	1.4	1.4	1.5
Shipbuilding & Conversion, Navy	0.0	0.0	0.0	0.0
Research, Development, Test & Eval, Navy	0.3	0.4	0.4	0.4
Military Construction, Navy	0.1	0.1	0.1	0.1
Other Navy Appropriations	1.3	1.5	1.6	1.6
Credit Card Purchases, Navy	12.6	14.8	15.1	15.7
Department of the Army	72.0	84.4	86.4	89.5
Army Operation and Maintenance	24.8	29.1	29.8	30.9
O&M, Army Reserve	2.7	3.2	3.2	3.4
Army National Guard	2.1	2.5	2.5	2.6
Army Res, Dev, Test & Eval Accounts	1.1	1.3	1.3	1.4
Army Procurement Accounts	0.9	1.1	1.1	1.1
Army Other	0.4	0.5	0.5	0.5
Credit Card Purchases, Army	39.9	46.9	47.9	49.7
Department of the Air Force	81.4	95.5	97.6	101.2
Air Force Operation & Maintenance	33.6	39.5	40.4	41.8
O&M, Air Force Reserve	1.0	1.2	1.2	1.2
Air Force National Guard	1.9	2.2	2.3	2.4
Air Force Res, Dev, Test & Eval Accounts	1.3	1.5	1.6	1.6
Air Force Procurement Accounts	1.7	2.0	2.0	2.1
Air Force Other	0.1	0.1	0.1	0.1
Credit Card Purchases, Air Force	41.7	49.0	50.1	51.9
DoD Appropriated Accounts	48.3	56.7	58.0	60.1
Operation & Maintenance Accounts	15.9	18.7	19.1	19.8
Res, Dev, Test & Eval Accounts	0.5	0.6	0.6	0.6
Procurement Accounts	0.2	0.2	0.2	0.2
Military Construction, Defense	0.0	0.0	0.0	0.0
Defense Health Program	23.8	27.9	28.6	29.6
DoD Other	1.3	1.5	1.6	1.6
Credit Card Purchases, Defense	6.6	7.8	7.9	8.2
b. Orders from other Fund Activity Groups	57.2	67.1	68.6	71.1
Navy	19.7	23.1	23.7	24.5
Army	2.2	2.6	2.6	2.7
Air Force	5.7	6.7	6.8	7.1
Other DoD	29.5	34.6	35.4	36.7
c. Total DoD	331.0	388.4	397.2	411.7
d. Other Orders	21.7	25.5	26.1	27.0
Other Federal Agencies	20.6	24.2	24.7	25.6
Credit Card Purchases	0.3	0.4	0.4	0.4
Non-Federal Agencies and Other	0.8	0.9	1.0	1.0
Total New Orders	352.7	413.8	423.2	438.7
2. Carry-In Orders	15.2	15.5	18.1	18.6
3. Total Gross Orders	367.9	429.4	441.3	457.3
4. Funded Carry-Over	15.5	18.1	18.6	19.3
5. Total Gross Sales	352.4	411.3	422.7	438.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Document Automation & Production Service
Fiscal Year (FY) 2008/2009 Budget Estimates
Revenue and Expenses
(\$ in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue				
Gross Sales	352.4	411.3	422.7	438.0
Operations	0.0	0.0	0.0	0.0
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation excluding Major Construction	0.0	0.0	0.0	0.0
Major Construction Depreciation	0.0	0.0	0.0	0.0
Other Income	0.0	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0	0.0
Total Income:	352.4	411.3	422.7	438.0
Expenses				
Cost of Material Sold from Inventory	0.0	0.0	0.0	0.0
Salaries and Wages:				
Military Personnel Compensation & Benefits	0.0	0.0	0.0	0.0
Civilian Personnel Compensation & Benefits	54.4	55.7	56.3	56.9
Travel & Transportation of Personnel	1.1	2.1	2.2	2.3
Materials & Supplies (For Internal Operations)	21.0	20.5	21.0	21.0
Equipment	3.7	4.0	3.0	3.1
Other Purchases from Revolving Funds	7.2	7.8	9.1	9.0
Transportation of Things	1.2	1.2	1.2	1.2
Depreciation - Capital	3.0	3.9	4.7	5.5
Printing and Reproduction	200.2	255.3	257.3	267.1
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Communications, Utilities, & Misc. Charges	8.4	9.8	9.7	9.7
Other Purchased Services	48.0	59.6	62.2	62.2
Total Expenses:	348.2	419.9	426.6	438.0
Operating Result	4.2	(8.6)	(3.9)	0.0
Net Operating Result	4.2	(8.6)	(3.9)	0.0
Prior Year Adjustments				
Prior Year AOR	18.9	23.1	14.5	10.6
Accumulated Operating Result	23.1	14.5	10.6	10.6
Non-Recoverable Adjustment Impacting AOR:				
Surcharge Prohibition				
Accumulated Operating Results for Budget Purposes	23.1	14.5	10.6	10.6

Exhibit Fund-14 Revenue and Expenses