

DEFENSE WORKING CAPITAL FUND

DEFENSE-WIDE FISCAL YEAR (FY) FY 2012 BUDGET ESTIMATES

OPERATING AND CAPITAL BUDGETS



**FEBRUARY 2011
CONGRESSIONAL DATA**

DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2012 PRESIDENT'S BUDGET
FEBRUARY 2011

DEFENSE-WIDE SUMMARY

The Defense Agencies operate six activity groups. The Defense Logistics Agency (DLA) operates three of these activity groups while the Defense Information Systems Agency (DISA) operates two activity groups, and Defense Finance and Accounting Service (DFAS) operates one activity group.

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

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

The DLA, formed in the early 1960s, operates the Supply Chain Management (SCM), Energy Management, and Document Services activity groups. The SCM manages the DLA materiel from initial purchase, to distribution and storage, and then finally reutilization or disposal. Energy Management provides comprehensive worldwide energy support for the military services and other authorized customers. Document Services provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office. The mission of the DLA is to provide effective and efficient worldwide support to warfighters and our other customers.

DEFENSE-WIDE WORKING CAPITAL FUND CASH

The table below displays the actual Defense-Wide Working Capital Fund (DWWCF) cash balance at the end of FY 2010 and projected balances for year-end through FY 2012.

Dollars in Millions	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Beginning of Period, Cash	1,457.8	3,018.0	3,149.9
Disbursements	47,044.5	49,228.5	49,068.6
Collections	48,056.9	48,852.6	48,157.7
Net Outlays	-1,012.4	375.9	910.9
<u>Direct Appropriation</u>			
FY 2010 Non-Fuel	38.5		
FY 2011 Non-Fuel		39.4	
FY 2012 Non-Fuel			31.6
<u>Supplemental Appropriation</u>			
FY 2010 DoD Received	469.3		
FY 2011 DoD OCO Request		468.4	
FY 2012 DoD OCO Request			368.7
<u>Reapportionment</u>			
FY 2010 from Air Force	40.0		
End of Period, Cash	3,018.0	3,149.9	2,639.3

FY 2010 Cash: The DWWCF cash balance increased over \$1.5 billion due to increased sales in the DLA Supply Chain Management and the DLA Energy Management activity groups as well as the receipt of \$507.8 million in appropriated funding. The DWWCF received \$38.5 million in direct appropriations for Reutilization, Transfer, and Disposal costs (\$37.8 million) and Defense Finance and Accounting Service financial systems costs (\$.7 million).

The DWWCF received \$469.3 million in supplemental funding for DLA Energy Management (\$382.8 million for Combat Fuel Losses and Fuel Transportation/Terminal Operations) and for DLA Supply Chain Management (\$86.5 million for Theater Consolidation Shipping Point Kuwait and OCONUS Contingency Operations). The DWWCF received \$40 million from the Air

Force Working Capital Fund (U.S. Transportation Command) to purchase and position inventory close to U.S. combat forces resulting in decreased premium transportation costs. The FY 2010 ending cash balance was \$3,018.0 million or 16.5 days of cash*.

FY 2011 Cash: The DWWCF projects to outlay \$375.9 million in FY 2011. Projected net outlays are the result of disbursing for the Mine Resistant Ambush Protected (MRAP) and the Mine Resistant Ambush Protected-All Terrain Vehicle (M-ATV) for which cash was received in FY 2010; the return of accumulated operating results to our customers through reduced rates; payments to the Military Services for consumable item transfers and for Base Closure and Realignment Supply, Storage and Distribution requirements; and correcting a previous year customer price change issue.

The DWWCF also expects net outlays to be negatively impacted by lower sales due to the extended continuing resolution which is impacting customer funding. The DWWCF requested \$39.4 million in direct appropriations for Reutilization, Transfer, and Disposal costs (\$38.6 million) and the Defense Finance and Accounting Service financial systems costs (\$.8 million). The DWWCF also requested \$468.4 million in supplemental funding for the DLA Energy Management (\$383.9 million for Combat Fuel Losses and Fuel Transportation/Terminal Operations) and the DLA Supply Chain Management (\$84.5 million for Theater Consolidation Shipping Point Kuwait, OCONUS Contingency Operations, Kuwait Distribution Center, and Information Technology Communications). The FY 2011 ending cash balance is projected to be \$3,149.9 million or 14.2 days of cash*.

FY 2012: The DWWCF net outlays are projected to be \$910.9 million primarily driven by DLA Supply Chain Management. These net outlays are the result of disbursing for the Mine Resistant Ambush Protected (MRAP) and the Mine Resistant Ambush Protected-All Terrain Vehicle (M-ATV) for which cash is expected to be received in FY 2011 and payments to the Military Services for consumable item transfers and for Base Closure and Realignment Supply, Storage and Distribution requirements.

DLA Energy Management is expected to outlay cash due to the upward trend in fuel product costs. We are requesting \$31.6 million in direct appropriations for Reutilization, Transfer, and Disposal costs. We are also requesting

\$368.7 million in supplemental funding for DLA Energy Management (\$278.8 million for Combat Fuel Losses and Fuel Transportation/ Terminal Operations) and Supply Chain Management (\$89.9 million for Theater Consolidation Shipping Point Kuwait, OCONUS Contingency Operations, Kuwait Distribution Center, and Information Technology Communications). The FY 2012 ending cash balance is projected to be \$2,639.3 million or 11.3 days of cash*.

Cash Balances: The DWWCF Cash balances at the end of FY 2011 and FY 2012 are projected to be above the 7 to 10 day target specified in DoD Financial Management Regulation 7000.14-R (Volume 2B, Chapter 9, Section 090103.A.). Several variables make retaining these balances necessary to ensure solvency is not threatened.

- **Fuel Product Costs:** In the past few years, the Authorizing Committees have expressed concern over the number of changes in the fuel standard price in the year of execution. These changes were necessitated by wide fluctuations in the market cost of petroleum that could not be absorbed quickly by the DWWCF and threatened its solvency. The Department recommended, without success, the establishment of an indefinite Appropriation (Transfer Fund) to address this problem. Recent increases in product costs, driven in part by an improving world economy, have the strong potential for a return to increased fuel cost volatility, out-of-cycle price changes, and impacts on Military Service readiness accounts.
- **Consumable Item Transfer (CIT):** This Budget assumes the DLA payments to the Military Services for materiel in the acquisition pipeline at the time of transfer. The actual amount the DLA will reimburse the Military Services is dependent on whether, based on the DLA assessment of future demand, the materiel in the pipeline is still needed. This assessment, known as "validation" is almost complete for the Air Force, but in its early stages for the Navy and in its infancy for the Army based on the CIT schedule. Until transfers are validated, the true impact to cash is unknown.
- **Operations Enduring Freedom/New Dawn (OEF/OND):** The Congress has been very supportive in providing requested funds for OEF, OND, and ONDs predecessor,

Operation Iraqi Freedom. The DLA has made every effort to estimate these costs for the budget years based on the best information available, including collaboration with the Military Services. That said, some level of uncertainty has been a fact of life in developing these estimates. In FY 2012, we believe there is the potential for higher costs associated with retrograde operations, to include processing returning materiel at the DLA Distribution depots and increased activity at the DLA Reutilization and Marketing Activities in the OND Theater of Operation.

- Base Closure and Realignment (BRAC) Supply, Storage and Distribution (SS&D): DLA is assuming the SS&D mission from the Navy at four naval shipyards (Portsmouth, Pearl Harbor, Puget Sound and Norfolk). This transfer was scheduled for FY 2011. Consumable and repairable items to support ship overhaul requirements at these facilities must be procured from vendors well before the materiel is sold to the Navy at the time of the overhaul itself. Proceeds from those sales must then be used to purchase replenishment items for the next round of vessel overhauls. As a result, an initial cash loss is incurred. In order to offset that loss, DLA estimated a requirement of \$133M (\$33M in FY 2011 and \$100M in FY 2012) and included an inventory surcharge to finance the purchase of required materiel and generate cash to pay vendors. While the Shipyard transfer will likely slip from FY 2011 to FY 2012, DLA still requires that cash to pay vendors in late FY 2011 and FY 2012.

Given these variables, the DWWCF cash balance in this budget from FY 2011 to FY 2012 insures a relatively stable pricing environment that minimizes the chance of un-programmed price increases that adversely impact customer readiness accounts and insure the DWWCF solvency.

*The calculation of days of cash is based on a new methodology that includes Accumulated Operating Result (AOR) Retention. A day of cash in FY 2010 was lower than what is projected in FY 2011 and FY 2012 due to lower disbursements (over \$2 billion less in FY 2010) and much higher AOR Retention (over \$400 million higher in FY 2011 and FY 2012).

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL
SOURCE OF NEW ORDERS AND REVENUE
FISCAL YEAR (FY) 2012 BUDGET ESTIMATES
FEBRUARY 2011
(Dollars in Millions)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
1. New Orders:			
a. Orders from DoD Components			
Army	15,123.7	14,828.8	14,224.6
Navy	8,424.6	8,373.0	8,415.9
Air Force	13,522.5	13,333.6	13,504.0
Marine Corps	1,440.4	1,857.5	1,829.1
Other	3,907.2	3,811.5	3,914.8
b. Orders from Other Fund Activity Groups	2,043.8	2,197.2	2,322.2
c. Total DoD	44,462.2	44,401.6	44,210.6
d. Other Orders:			
Other Federal Agencies	1,274.5	1,236.7	1,184.7
Trust Fund	51.3	55.8	62.2
Exchange Activities	0.0	0.0	0.0
Non Federal Agencies	947.4	986.7	990.3
Foreign Military Sales	1,361.0	1,384.9	1,392.8
2. Carry-In Orders	3,484.1	3,426.1	3,057.9
3. Total Gross Orders	51,580.5	51,491.8	50,898.5
4. Carry-Out Orders	-3,544.0	-3,004.4	-2,872.3
5. Funded Carry Over	51.7	53.5	55.0
6. DRMS Sales Proceeds	60.6	53.8	47.3
7. Total Gross Sales	48,045.4	48,487.7	48,018.5

DEFENSE-WIDE WORKING CAPITAL FUND
SUMMARY
FISCAL YEAR (FY) 2012 BUDGET ESTIMATES
REVENUE AND EXPENSES
FEBRUARY 2011
(Dollars in Millions)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Revenue:			
Gross Sales	46,839.7	47,209.0	46,722.0
Operations	46,715.6	47,135.2	46,594.9
Capital Surcharge	(31.8)	(95.9)	(34.6)
Depreciation excluding Major Construction	155.9	169.7	161.7
Major Construction Depreciation	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0
Other Income	2,134.0	2,742.8	2,677.6
Refunds/Discounts (-)	(904.6)	(969.8)	(991.9)
Total Income	48,069.1	48,982.0	48,407.7
Expenses:			
Cost of Materiel Sold from Inventory	33,115.9	33,125.0	32,327.1
Materiel-Related	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	59.0	60.0	57.5
Civilian Personnel Compensation & Benefits	3,535.0	3,502.7	3,511.9
Travel & Transportation of Personnel	77.4	106.0	104.5
Materials & Supplies (For Internal Oper)	358.7	365.6	405.5
Equipment	265.6	429.8	455.1
Other Purchases from Revolving Funds	651.5	705.9	714.5
Transportation of Things	1,022.6	1,157.3	1,113.7
Inventory Maintenance	383.5	307.1	346.5
Depreciation - Capital	284.6	352.7	348.1
Printing & Reproduction	120.0	130.2	130.9
Advisory and Assistance Services	247.7	187.1	187.8
Rent, Communication, Utilities, & Misc.	1,770.1	2,334.1	2,316.2
Other Purchased Services	5,229.5	6,701.1	7,126.7
Total Expenses	47,121.1	49,464.6	49,146.0
Operating Result	948.0	(482.6)	(738.3)
Less Capital Surcharge Reservation	58.3	130.7	70.1
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	508.3	347.2	126.8
Net Operating Result (NOR)	1,514.6	(4.7)	(541.4)
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	0.0	0.0	(759.5)
Prior Year AOR	(210.2)	1,304.7	1,300.0
Accumulated Operating Result (AOR)	1,304.4	1,300.0	(0.9)
Non-Recoverable Adjustments Impacting AOR	0.0	0.0	0.0
Accumulated Operating Results for Budget Purposes	1,304.4	1,300.0	(0.9)

Defense Finance and Accounting Service



Fiscal Year (FY) 2012 Budget Estimates
Defense Working Capital Fund (DWCF)
President's Budget Submission
February 2011

DEFENSE FINANCE AND ACCOUNTING SERVICE

OVERVIEW

As the world's largest finance and accounting operation, the Defense Finance and Accounting Service (DFAS) mission is to *lead DoD in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information.*

DFAS works in partnership with defense agencies, the military services, and the combatant commands to provide timely business information to key decision-makers. By focusing on the finance and accounting needs of the military services, DFAS allows Warfighters to concentrate on their mission. DFAS is committed to performing timely finance and accounting services at the lowest cost, with a high degree of accuracy, utilizing electronic processes wherever possible. To serve customers' needs, DFAS performs multiple roles and provides a diverse set of services.

Commercial Pay: DFAS continues to efficiently process customer invoices in an accurate and timely manner. During FY 2010, DFAS processed more than 11.4 million commercial invoices. Increased usage of electronic commerce (electronic receipt of contracts, invoices and receiving reports) has reduced cycle-time, errors and rework, supported E-government, and facilitated audit readiness. This has allowed us to reduce customer bills and free up resources to support the warfighter.

Military/Civilian Pay Services: During FY 2010, DFAS processed over 168.8 million pay transactions and disbursed over \$578.2 billion. DFAS managed more than \$487.9 billion in Military Retirement and Health Benefits Funds. DFAS continuously pursues initiatives to enhance our value to the customers by improving service and reducing costs. For example, military and civilian customers can access payroll information anywhere a secure internet connection is available. In addition, 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.

Accounting Services: During the past year, DFAS partnered with customers to help achieve unqualified financial statement audit opinions. DFAS accounted for 1,129 active DoD appropriations. The goal establishes a reliable and repeatable end-to-end process to produce financial statements containing timely, reliable, and useful information. Implementing an Accounting High Performing Organization (HPO) helps achieve this goal by standardizing and streamlining process flows based on an organizational structure that brings together end-to-end process functions.

Information Technology (IT): The DFAS IT function focuses on the continuous improvement of our systems and infrastructure support services. The IT function allows DFAS to take advantage of evolving technology, improving the ability to accomplish the DFAS mission. The constantly changing technological environment creates opportunities to generate major improvements in our business practices and necessitates continuous management focus on IT planning, systems development/maintenance, and daily infrastructure operations.

Budget Assumptions

DFAS shaped the FY 2012 Program Budget (PB) to maintain quality service while working to lower overall expenses. Key assumptions include:

- Increases in the level of support to our customers for Audit Readiness by developing a dedicated infrastructure to support customer audit assertion and audit execution.
- Reductions in support for Veteran Affairs Retroactive Pay (VA Retro) services due to the decline in the number of cases requiring research.
- Establishment of the Defense Military Pay Office (DMPO) mission in DFAS; transfer of services to the Army now set to occur after FY 2012.
- Capitalization of the travel pay mission provided by the Army DMPOs in FY 2012.
- FTE estimates will remain fairly constant.

Efficiencies and Savings

DFAS continually examines operational areas to increase efficiency and generate savings for customers while maintaining a high level of quality service. The following efficiencies are reflected in the FY 2012 program budget:

- Information Technology (IT) program: Identified ways to reduce IT cost, including a reduction in database size, accelerating retirement of legacy systems, reduced printing, and systems consolidation.
- Service support contracts: Reduced contract efforts while in-sourcing workload at a lower cost to the customer.
- Lean Six Sigma: Principles used to reduce redundancies and streamline processes while capturing project savings.
- Electronic Capabilities: Identified opportunities to utilize paperless services. DFAS is eliminating the usage of paper leave and earnings statements (LES) to reduce the cost of postage, printing, and labor.
- E-commerce Governance Board: Establish a governance board responsible to direct all contract writing systems to electronically interface with both entitlement and accounting systems, direct full implementation of Wide-Area-Workflow, and direct full implementation of the Government Purchase Card program.

- Civilian FTEs: Set target of FY 2010 budget level as a method to reduce customer costs without reducing the core DFAS mission.

Budget Summary

The following table provides the DFAS Defense Working Capital Fund (DWCF) and Capital Purchases Program (CPP) estimates for Obligation Authority (OA) and Personnel data. The obligation authority considers the impact of budget estimates for Audit Readiness support as well as various initiatives to reduce cost by increasing efficiency. FTE's and End Strengths are adjusted to reflect in-sourcing assumptions and the DMPO transition to the Army after FY 2012.

Financial Operations

(Dollars in Millions)

	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>
<u>Authority</u>			
Operating	\$1,622.2	\$1,545.2	\$1,416.9
Less Depreciation	-78.1	-65.2	-47.0
Net Operating Authority	\$1,544.1	\$1,480.0	\$1,369.9
Capital	\$36.3	\$39.3	\$40.8
<u>Staffing</u>			
Civilian FTEs	12,482	12,468	12,297
Civilian End Strength	13,134	11,695	12,752
Military End Strength	28	29	29

Revenue and Expenses

(Dollars in Millions)

	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>
Revenue	\$1,604.1	\$1,566.8	\$1,289.6
Cost of Operations	\$1,570.5	\$1,545.2	\$1,416.9
Operating Results	33.6	21.6	-127.3
Adjustments – Other	10.3	0.0	0.0
Net Operating Results (NOR)	43.9	21.6	-127.3
Accumulated Operating Results (AOR) – Beginning	117.2	161.1	182.7
AOR Adjustments	0.0	0.0	-55.5
Accumulated Operating Results (AOR)	161.1	182.7	0.0

The DFAS PB 12 budget reflects an embrace of new technology, the use of more efficient systems, and the downsizing of the Agency as the result of Base Realignment and Closure. As customers continue to move to electronic commerce for payment processing and contractor support review initiatives are reviewed, DFAS anticipates further personnel reductions resulting in additional cost savings to customers.

DFAS reduced customer bill estimates in FY 2011 and FY 2012 due to a positive Accumulated Operating Result. Cost savings to customers in FY 2011 is \$35.5M and \$128.7M in FY 2012.

Capital Purchases Program

(Dollars in Millions)

	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>
Capital Baseline	\$36.3	\$39.3	\$40.8
Capital Requirement	\$36.3	\$36.1	\$40.8

FY 2010 includes \$12.2 million in carryover from FY 2009 to FY 2010 to support enhancements in areas of Office Automation, Teleservices/Unified Communications, and Minor Construction and \$-1.4 million in prior adjustments. The FY 2011 capital investment decreased due to a change in requirements for software development and Automated Data Processing Equipment (ADPE). In FY 2012, DFAS will implement innovative technologies and provide force protection measures with the installation of a DFAS-wide unified communications system, and improvements that mitigate threats in the Indianapolis and Texarkana facilities.

**Fiscal Year (FY) 2012 Budget Estimates
Changes in the Costs of Operation
Defense Finance and Accounting Service
February 2011**

	(\$'s in Millions)
FY 2010 PB11 Estimate	\$ 1,559.3
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FY2010 Actual	\$ 1,570.5
Pricing Adjustment:	
FY 2010 Civilian Pay Raise	\$ -
Annualization Prior Year Pay Raise	\$ 4.8
Inflation Adjustment	\$ 7.3
Program Changes:	
Labor target reduced to FY 10 levels	\$ (39.0)
ERP Support	\$ 4.3
Depreciation	\$ (12.9)
DISA IPC Cost Increase	\$ 10.2
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FY 2011 PB11 Estimate:	\$ 1,545.2
Pricing Adjustment:	
Annualization Prior Year Pay Raise	\$ -
FY 2011 Civilian Pay Raise	\$ -
Inflation Adjustment	\$ 8.1
Program Changes:	
Audit Readiness	\$ 54.0
Labor target reduced to FY10 levels	\$ (25.5)
Return of Southbridge management to CPMS	\$ (14.0)
Overtime Reduction	\$ (13.8)
Lean 6 Reductions	\$ (19.0)
Productivity efficiencies	\$ (6.4)
Other Contract Reductions	\$ (62.4)
Eliminate Paper LES	\$ (3.0)
DISA IPC Cost Savings	\$ (18.9)
E-commerce savings	\$ (10.5)
O&M returning to WCF	\$ 3.5
Transfer of functions to NGA	\$ (2.2)
Depreciation	\$ (18.2)
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FY 2012 Estimate:	\$ 1,416.9

**Program Budget Review (FY) 2012 Budget Estimates
Sources of New Orders and Revenue
Defense Finance and Accounting Service
February 2011**

			(Dollars in Millions)			
			FY10	FY11	FY12	
1. New Orders						
a. Orders from DoD Components:						
<i>APPN</i>	<i>Client</i>	<i>Customer</i>				
Total Capital	DW	Defense Agency	Defense Finance and Accounting Service	4.8	3.9	1.8
Total Family Housin	Army		Army Family Housing	0.5	0.6	0.3
O&M		Air Force	Core Work	314.5	297.1	241.5
O&M		Army	Core Work	621.5	586.3	495.3
O&M		Marine Corps	Core Work	62.6	55.1	44.8
O&M		Navy	Core Work	254.2	248.6	223.7
O&M	DW	Defense Agency	Business Transformation Agency	3.8	8.7	0.7
O&M	DW	Defense Agency	US Court of Appeals for the Armed Forces	0.0	0.0	0.0
O&M	DW	Defense Agency	Defense Acquisition University	1.8	2.3	0.5
O&M	DW	Defense Agency	Defense Contract Audit Agency	4.2	5.5	3.6
O&M	DW	Defense Agency	Defense Contract Management Activity	6.0	7.2	7.0
O&M	DW	Defense Agency	Domestic Dependent Elementary & Secondary Schools	0.1	1.4	1.0
O&M	DW	Defense Agency	Defense Health Program	29.1	26.2	20.5
O&M	DW	Defense Agency	Defense Human Resources Activity	1.3	1.9	1.1
O&M	DW	Defense Agency	Defense Intelligence Agency	0.6	0.8	1.0
O&M	DW	Defense Agency	Defense Information Systems Agency	7.1	8.9	11.8
O&M	DW	Defense Agency	Defense Logistics Agency	5.3	6.7	7.3
O&M	DW	Defense Agency	Defense Legal Services Agency	0.4	0.4	0.2
O&M	DW	Defense Agency	Defense Media Activity	0.8	1.1	0.5
O&M	DW	Defense Agency	Department of Defense Civilian Personnel Management Service	12.5	12.6	0.0
O&M	DW	Defense Agency	Department of Defense Prisoner of War/Missing In Action Office	0.2	0.3	0.1
O&M	DW	Defense Agency	Department of Defense Education Activity	7.8	5.4	4.9
O&M	DW	Defense Agency	Department of Defense Inspector General	1.8	2.3	1.5
O&M	DW	Defense Agency	Defense Security Cooperation Agency	24.2	28.1	26.0
O&M	DW	Defense Agency	Defense Security Service	0.7	0.7	0.4
O&M	DW	Defense Agency	Defense Threat Reduction Agency	2.2	2.4	1.8
O&M	DW	Defense Agency	Defense Technology Security Administration	0.3	0.2	0.2
O&M	DW	Defense Agency	Joint Chief of Staff, Office	0.8	0.8	0.4
O&M	DW	Defense Agency	Military Housing Privatization Initiative	0.3	0.3	0.2
O&M	DW	Defense Agency	National Defense University	0.5	0.7	0.5
O&M	DW	Defense Agency	National Geospatial-Intelligence Agency	3.7	3.8	0.0
O&M	DW	Defense Agency	National Security Agency	1.1	1.1	1.3
O&M	DW	Defense Agency	Office of Economic Adjustment	0.2	0.2	0.1
O&M	DW	Defense Agency	Pentagon Force Protection Agency	0.3	0.2	0.2
O&M	DW	Defense Agency	Department of Defense, Office of	0.0	0.0	0.4
O&M	DW	Defense Agency	Special Operations Command	0.0	0.0	3.4
O&M	DW	Defense Agency	Washington Headquarters Service	4.1	4.3	2.9
Total O&M				1,373.9	1,321.5	1,105.1
Total Procurement* Army				0.0	0.0	0.0
RDT&E		Army	Army	0.1	0.0	0.0
RDT&E		Navy	Navy	2.0	1.8	1.6
RDT&E		Air Force	Air Force	0.0	0.0	0.0
RDT&E	DW	Defense Agency	Business Transformation Agency	2.3	6.0	5.5
RDT&E	DW	Defense Agency	Center for Countermeasures	0.1	1.8	0.0
RDT&E	DW	Defense Agency	Defense Advanced Research Projects Agency	0.0	1.5	1.2
RDT&E	DW	Defense Agency	Defense Technical Information Center	5.1	2.8	1.6
RDT&E	DW	Defense Agency	Missile Defense Agency	3.6	2.8	2.9
Total RDT&E				13.2	16.6	12.8
a. Total Orders from DoD Components:				1,392.4	1,342.6	1,120.0

**Program Budget Review (FY) 2012 Budget Estimates
Sources of New Orders and Revenue
Defense Finance and Accounting Service
February 2011**

			(Dollars in Millions)		
			FY10	FY11	FY12
b. Orders from Other Fund Activity Groups					
<i>APPN</i>	<i>Client</i>	<i>Customer</i>			
WCF	Air Force		11.3	12.8	8.0
WCF	Army		19.6	23.5	14.0
WCF	Marine Corps		1.4	1.4	1.3
WCF	Navy		40.8	32.7	27.7
WCF	DW	Defense Agency	20.6	17.7	16.6
WCF	DW	Defense Agency	6.4	6.0	5.9
WCF	DW	Defense Agency	1.8	1.2	0.7
WCF	DW	Defense Agency	61.1	76.4	51.1
WCF	DW	Defense Agency	2.6	3.1	1.5
WCF	DW	Defense Agency	0.0	0.0	3.1
b. Total Orders from Other Fund Activity Groups			165.5	174.7	129.7
c. Total DoD			1,557.9	1,517.3	1,249.7
d. Other Orders					
US Dept of State		US Dept of State	0.0	0.0	0.0
US Dept of Treasury		US Dept of Treasury	1.2	0.1	0.3
US Dept of Veteran Affairs		US Dept of Veteran Affairs	29.4	31.7	26.9
US Dept of Energy		US Dept of Energy	1.3	1.2	1.2
US Dept of Health Human Services		US Dept of Health Human Services	6.7	8.6	6.3
US Corps of Engineers		US Corps of Engineers	4.4	4.0	3.1
Environmental Protection Agency		Environmental Protection Agency	1.8	2.1	1.7
US Coast Guard		US Coast Guard	0.1	0.1	0.1
Executive Office of the President		Executive Office of the President	0.2	0.2	0.2
Broadcast Board of Governors		Broadcast Board of Governors	0.2	0.2	0.1
Non Appropriated Funds		Non Appropriated Funds	0.5	1.3	0.0
Foreign Military Sales		Foreign Military Sales	0.3	0.0	0.0
Commercial (BOA, EDS, etc)		Commercial	0.0	0.0	0.0
d. Total Other Orders			46.2	49.4	39.8
1. Total New Orders			1,604.1	1,566.8	1,289.6
2. Carry-In Orders			0.0	0.0	0.0
3. Total Gross Orders			1,604.1	1,566.8	1,289.6
4. Carry-Out Orders			0.0	0.0	0.0
5. Gross Sales			1,604.1	1,566.8	1,289.6
6. Credit			0.0	0.0	0.0
7. Net Sales			1,604.1	1,566.8	1,289.6

	FY2010	FY2011	FY2012
Revenue			
Gross Sales			
Operations	1,526.0	1,501.6	1,242.6
Depreciation except Major Construction	78.1	65.2	47.0
Other Income	0.0	0.0	0.0
Customer Bill Adjustment	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0
Total Income:	1,604.1	1,566.8	1,289.6
Expenses			
Salaries and Wages:			
Military Personnel Compensation & Benefits	1.5	1.5	1.2
Civilian Personnel Compensation & Benefits	970.8	936.7	914.4
Travel & Transportation of Personnel	15.1	21.3	20.3
Materials & Supplies (Internal Operations)	4.9	6.5	6.4
Equipment	9.6	10.3	10.3
Other Purchases from Revolving Funds	136.5	148.9	135.1
Transportation of Things	1.3	0.7	0.8
Depreciation - Capital	78.1	65.2	47.0
Printing and Reproduction	5.1	5.1	4.8
Advisory and Assistance Services	18.2	3.0	9.9
Rent, Communications, Utilities, & Misc. Charges	57.7	60.4	42.4
Other Purchased Services	271.7	285.7	224.3
Total Expenses	1,570.5	1,545.2	1,416.9
Operating Result	33.6	21.6	-127.3
Depreciation, Non-DWCF Acquired PP&E	10.3	0.0	0.0
Adjustments to NOR	0.0	0.0	0.0
Net Operating Result	43.9	21.6	-127.3
PY AOR	117.2	161.1	182.7
AOR Adjustments	-	-	-55.5
Accumulated Operating Results	161.1	182.7	0.0

**DEFENSE INFORMATION SYSTEMS AGENCY
FISCAL YEAR (FY) 2012 BUDGET ESTIMATES**



DEFENSE-WIDE WORKING CAPITAL FUND

**Computing Services
Telecommunications Services/
Enterprise Acquisition Services**

February 2011

**DEPARTMENT OF DEFENSE
DEFENSE INFORMATION SYSTEMS AGENCY**

**Defense Working Capital Fund
Telecommunications Services/Enterprise Acquisition Services**

FISCAL YEAR 2012 BUDGET ESTIMATES

The Defense Information Systems Agency (DISA) provides Telecommunications Services and Enterprise Acquisition Services (TS/EAS) through the Defense Working Capital Fund (DWCF). This activity group provides a single source for high quality, reliable, survivable, and secure telecommunications services for Defense command and control. It is also an ideal source for procurement of best-value and commercially competitive information technology. The Information Services activity group purchases telecommunications and related information technology products from the worldwide commercial sector to meet Department of Defense and authorized non-defense customers' needs.

The major component of Telecommunications Services is the Defense Information System Network (DISN). The DISN provides the interoperable telecommunications connectivity and value-added services required to plan, implement, and support operational missions. 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 to support disaster relief and recovery efforts throughout the world. Overall, it provides the lowest possible customer price through bulk quantity purchases, economies of scale, and reengineering of current communication services. Enterprise Acquisition Services includes the Defense Information Technology Contracting Organization (DITCO), which provides contracting services for information technology and telecommunications acquisitions from the commercial sector. It provides vital contracting support to the DISN programs, as well as to other DISA, DoD, and authorized non-Defense customers. Both Telecommunications Services and Enterprise Acquisition Services are discussed in more detail in the narrative which follows.

TELECOMMUNICATIONS SERVICES/ENTERPRISE ACQUISITION SERVICES BUDGET SUMMARY

(\$ in millions)	FY 2010	FY 2011	FY 2012
Revenue	\$4,956.9	\$5,469.6	\$5,922.5
Cost	5,042.2	5,493.7	5,931.5
Net Operating Result	(85.3)	(24.0)	(9.0)
Prior Year AOR	118.3	33.1	9.0
Accumulated Operating Results (AOR)	\$33.1	\$9.0	\$0.0
Civilian Workyears	1,043	1,080	1,149
Military End Strength	79	100	98
Capital Budget	\$20.8	\$11.3	\$7.1

The table above provides a summary of the major financial accounts and personnel levels reflected in this budget request. Fiscal year (FY) 2010 data are actuals. Fiscal year data for FY 2011 and FY 2012 reflect best estimates of anticipated customer workload, the resulting DWCF costs, and profit/loss. Telecommunications Services and Enterprise Acquisition

Services' net position at the close of Fiscal Year (FY) 2010 was a profit of \$33.1 million. In FY 2011, the DISN Subscription Services (DSS) share price continued to be set below cost to return accumulated profits back to the business areas' customers. In FY 2012, the share price is set slightly above anticipated costs to achieve a zero accumulated operating result (AOR). The Enterprise Acquisition Services' fee-for-service was set at 2.00% in FY 2010, and remains there for FY 2011 and FY 2012. Except for budgetary realignments discussed below, civilian staffing will remain relatively unchanged over this budget period, consistent with the Secretary's overall efficiency goals. Capital investments funded in the DWCF will be lower in FY 2012 than in FY 2011. These year-to-year trends are explained in the narrative sections below.

Defense Information System Network Program Structure

The Defense Information System Network (DISN) is a complex program of services. It provides dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services. The table on the following page illustrates its service offerings and the major cost centers that support those offerings:

Cost recovery Method	Program Function	Program Sub-Function	Cost Activity
DISN Subscription Services Share Price	Real Time Services	Voice	Defense Switched Network Sustaining Activities
			Defense Switched Network Maintenance
			Defense Red Switch Network Sustaining Activities
			Defense Red Switch Network Maintenance
			Other Voice Support
			Office Support
			Secure Mobile Environment - Portable Electronic Device (SME-PED)
		Video	Video Sustaining Activities
			Video Maintenance
			Other Video Support
			Office Support
		Data	NIPR Maintenance
			NIPR Sustaining Activities
			NIPR Other Support
			SIPR Maintenance
			SIPR Sustaining Activities
			SIPR Other Support
	Other IP Activities		
	JWICS Transport		
	JWICS Sustaining Activities		
	JWICS Maintenance		
	JWICS Other		
	Office Support		
	DISN Leading Edge Services (DISN-LES)		
	Interoperability	RTS Integration Activities	
		Management/Office	
	Transport	Bandwidth Management	Access
			Backbone
		Maintenance	Hardware
			Software
			Other
		Core Sustaining Activities	Warehousing
			Minor Equipment
		Transport Support	Installation
	Other Sustaining Activities		
	Other Transport Support		
	Messaging	Message Maintenance	NA
		Message Sustaining Activities	NA
		Message Support	Other Support
		Message Support	Office Support
	Mission Assurance	Information Assurance Activities	Network Operations of Enterprise Infrastructure
			Network Hardening
			PKI and Directories
			Secure Configuration Management
	Centralized Services	Operational Support Services	Network Operations
			Network Management
			Network Other Support
Network Office Support			
Customer Support Services		Management NCR	
		Management Columbus	
		Other Support	
Connection Approval Office		Office Support	
		Other Sustaining Activities	
		Management Activities	
Network Services Support		Office Management	
		Business Office	
	Program Manager Office		
	Home Team		
Theater Network Operations	Network Oversight	Other Management	
		DISA CONUS	
		DISA Pacific	
		DISA Europe	
Reimbursable DISN	Voice Services	Joint Hawaii Information Transfer System (JHITS)	
	Satellite Services	Commercial Satellite Services (COMSAT)	
		Enhanced Mobile Satellite Services (EMSS)	
	Special Programs	Bosnia	
		Kosovo	
Overseas Contingency Operations (OCO)			
Customer Funded Projects	DoD COOP Integrated Network (DCIN)		
	Customer Funded Projects		

Some of the network services are provided to customers in pre-defined packages and sold on a subscription basis. Other network services are provided individually and sold on a cost reimbursable basis.

DISN SUBSCRIPTION SERVICES

The DISN Subscription Services consist of the following:

Transport Services provide a robust worldwide capability to transmit voice, video, data and message traffic for the Combatant Commanders, Military Departments and Defense Agencies. Transport Services provide the information transport for other services described below, as well as for specialized services.

Data Services provide Secure Internet Protocol Router Network (SIPRNet) as well as Non-classified Internet Protocol Router Network (NIPRNet) capabilities. Additionally, Data Services provide IP transport for the Defense Intelligence Agency (DIA)-managed Joint Worldwide Intelligence Communications System (JWICS) providing comprehensive, worldwide, secure high-speed multimedia, Top Secret/Sensitive Compartmented Information communications services for the DoD intelligence community and other federal agencies.

This submission also incorporates the DISN Leading Edge Services (DISN-LES) network as a new service offering under subscription services. DISN-LES is used by the command, control, intelligence, and mission support communities to conduct development, certification, and operational test and evaluation activities as a new service offering under subscription services. DISN-LES ensures programs meet network requirements prior to deployment. The transition of this program from customer reimbursable to subscription is expected to produce an economy of scale by eliminating duplicate circuits to sites currently operating multiple test networks, maximizing bandwidth efficiencies, and leveraging existing transport capabilities. Costs for DISN LES are estimated at \$2.8 million in FY 2011 and \$2.9 million in FY 2012. These amounts include projected cost savings of \$2.0 million per year due to efficiencies.

Voice Services provide day-to-day commercially competitive services plus unique secure military requirements. Voice Services includes the operation of the unclassified Defense Switched Network and the classified Defense Red Switch Network. In addition the budget reflects recovering costs for the Secure Mobile Environment – Portable Electronic Device (SME-PED) via the subscription share price beginning in FY 2012, as described below.

The **Secure Mobile Environment-Portable Electronic Device (SME-PED)** delivers, in a single National Security Agency-designed and approved device, wireless secure and non-secure voice and data capabilities to handheld devices over the Secure IP Router Network (SIPRNet) and Non-secure IP Router Network (NIPRNet). Costs included in this budget are for two commercially operated Multi-Carrier Entry Points (MCEP) as well as services provided by DISA's Defense Enterprise Computing Centers. The cost for DISA to sustain the necessary infrastructure for SME-PED access to SIPRNet and NIPRNet is estimated at \$4.9 million in FY 2011, and will be recovered on a customer reimbursable basis. For FY 2012, this submission reflects recovering SME-PED operating costs within DISN Subscription Services. The estimated cost for SME-PED in FY 2012 is \$5.5 million.

Video Services provide both unclassified 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. Funding in FY 2012 is to maintain the critical nuclear command and control functions that this messaging service provides.

Centralized Services is a group of critical mission support activities that support all DISN services. The group includes:

- **Operational Support Services** facilitates and automates the operations, administration, maintenance, and provisioning/engineering activities for the DISN.
- The **Connection Approval Office** approves secure interoperable connections in support of the warfighter and mission partners for applications, information systems, and networks authorized to operate on the enterprise infrastructure.
- The **Theater Network Operations Centers** are staffed 24 hours a day, 365 days per year to monitor and react to real-time network traffic and events.
- The **Customer Support Services** division serves as an entry point for customers to report network and connectivity issues 24 hours a day, 365 days per year.

DISN SUBSCRIPTION SERVICES RATE

The DISN provided network connectivity at 385 customer-funded subscription sites in FY 2010, which, based on bandwidth and service packages, equated to 7,770 “shares” for pricing purposes. In FY 2011, the number of sites is reduced to 373, equating to 7,604 shares. In FY 2012, the number of sites is reduced to 361 (mostly because of base closures under BRAC), but the overall number of shares increases to 8,260. The increase in the number of shares is largely driven by increased customer demand for bandwidth. The subscription share price is set below cost through FY 2011 to return prior year profits. In FY 2012, pricing has been adjusted to reflect realignments for the following:

- Information Assurance activities supporting the DISN, \$147.3 million
- GIG Content Delivery Service, \$18.0 million
- Secure Mobile Environment – Portable Electronic Device, \$5.5 million
- DISN Leading Edge Services (i.e. testing and evaluation), \$2.9 million

These funding realignments are zero-sum at the Department level and are discussed in further detail below. The following table shows financial data for DISN Subscription Services.

(\$ in millions)	FY 2010*	FY 2011	FY 2012
Revenue	\$883.4	\$948.5	\$1,160.6
Cost	\$969.7	\$959.7	\$1,159.9
Number of Sites	385	373	361
Number of Shares	7,770	7,604	8,260
Price Per Share	\$112,790	\$124,741	\$140,505
Cost Per Share	\$124,804	\$126,209	\$140,419

* FY 2010 data are actuals

In FY 2012, DSS costs increase by \$200.2 million. Of this increase, \$147.3 million is due to the functional transfer of Information Assurance activities benefitting the DISN from DISA's appropriated accounts to DWCF. This transfer is zero-sum at the Department level. Costs also increase due to higher customer demand for bandwidth.

DISN REIMBURSABLE PROGRAMS

In addition to the DISN Subscription Services discussed above, DISA offers several other reimbursable telecommunications services, as shown in the following table:

(\$ in millions)	FY 2010*	FY 2011	FY 2012
Commercial Satellite Services	\$389.8	\$509.7	\$492.6
Enhanced Mobile Satellite Services (Iridium)	117.7	127.5	121.4
Overseas Contingency Operations (OCO)	99.1	93.7	71.8
Customer Funded Projects	19.0	110.4	89.5
Joint Hawaii Information Transfer System	11.8	18.5	18.7
Defense Continuity of Operations Integrated Network	2.8	4.7	4.7
Kosovo	4.0	2.8	2.3
Bosnia	0.8	0.7	0.7
Other Reimbursable Services	9.3	11.2	6.5
Total DISN Reimbursable Costs	\$654.3	\$879.1	\$808.3

* FY 2010 data are actuals

Commercial Satellite Communications (COMSATCOM) services are provided on a reimbursable basis. Services include global and regional access to commercial satellite communications for voice, data, imagery, broadcast, and teleconferencing networks in secure and non-secure modes. Increased cost for COMSATCOM in FY 2011 is primarily the result of increased USCENCOM requirements, to include support of Unmanned Aerial Vehicle missions. Also, DISA will begin provisioning Inmarsat Mobile Satellite Services for DoD customers in FY 2011. Decreased cost in FY 2012 is primarily due to anticipated reductions in USCENCOM requirements.

The *Enhanced Mobile Satellite Service (EMSS)* is a global mobile satellite communications system that provides secure voice, data, paging, and messaging communications capabilities to DoD, non-DoD, and foreign subscribers as needed. This program also offers a new service, the Distributed Tactical Communications System (DTCS), comprised of push-to-talk voice and data services that leverage the Iridium constellation to provide a handheld, over-the-horizon, beyond-line-of-sight, tactical communications solution for U.S. troops in remote locations, enabling a user to communicate with multiple users at the same time. Fiscal years 2011 and 2012 reflect the same level of contractor-provided DTCS field support as was needed in FY 2010. This support is provided at the device level with deployed forces in the Area of Responsibility (AOR). Fiscal year 2011 funds also support the acquisition and deployment of new radios that provide additional levels of security, network management, platform integration kits, which include tactical operations center and vehicle kits. Decreased costs in FY 2012 are principally because DISA will no longer purchase new DTCS radios and integration kits. This responsibility shifts to DTCS customers after FY 2011.

Overseas Contingency Operations include costs for circuits that provide in-theater DISN capabilities, an allocation of video teleconferencing minutes that are attributable to the higher operational tempo in Southwest Asia (SWA), and direct in-theater personnel support and equipment costs. DISA's projected FY 2012 DWCF OCO costs are estimated to decrease to \$71.8 million. These costs will be reimbursed by Army, Air Force, and DISA appropriated OCO funds. Costs decrease in FY 2012 as pre-war costs for five enduring DISN sites in SWA are recovered in the subscription price instead of OCO accounts.

Customer Funded Projects are initiated when DoD components request special network assistance as their missions change and/or expand. These actions are completed on a 100 percent customer reimbursable basis. Fiscal year 2012 workload is projected to be approximately \$89.5 million.

The **Joint Hawaii Information Transfer System (JHITS)** provides voice, video, and data services to military bases in the state of Hawaii. Costs for JHITS are estimated to remain stable at approximately \$18.6 million in FY 2011 and FY 2012.

The **Defense Continuity of Operations Integrated Network (DCIN)** is a classified Pentagon network used by senior DoD leadership. Network costs for FY 2012 remain at the FY 2011 current estimate of \$4.7 million.

Costs for **Bosnia** and **Kosovo** support the sustainment of communications infrastructure, to include service leases and non-capital equipment purchases. Costs for Bosnia are fully reimbursed by Army. Costs for Kosovo are fully reimbursed by DISA appropriated funds.

ENTERPRISE ACQUISITION SERVICES

The primary mission of Enterprise Acquisition Services (EAS) is purchasing telecommunications and information technology (IT) products and services from the worldwide commercial sector to meet Department of Defense (DoD) and authorized non-defense customers' needs. The EAS mission also includes acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. This mission is accomplished by DISA's Defense Information Technology Contracting Organization (DITCO), which provides contracting services for IT capabilities and services for the Defense Information System Network (DISN), Computing Services (CS), and a wide range of other DoD programs which require information technology contracting and contract management services.

The DITCO also establishes large contract vehicles available to DoD for essential IT services such as engineering, hardware, equipment and maintenance, integration and support, information security, computer technology, and DISN access. Non-DISN telecommunications circuits and systems are ordered on an individual basis and are fully reimbursed by customers. The EAS encompasses a variety of support services to meet DoD information technology contract requirements and provides contract support to all DISN subscription services. The EAS fee-for-service remains at 2.00% for FY 2012.

(\$ in millions)	FY 2010*	FY 2011	FY 2012
Contract Revenue	\$3,326.2	\$3,546.8	\$3,851.7
Fee-for-Service Revenue	92.5	106.9	106.6
Total Revenue	\$3,418.7	\$3,653.7	\$3,958.3
Contract Costs	\$3,323.9	\$3,544.8	\$3,851.8
- Information Technology Contracts	2,690.7	2,951.7	3,284.6
- Non-DISN Telecommunications Contracts	633.2	593.1	567.2
Operating Costs	94.3	110.0	111.6
Total Costs	\$3,418.2	\$3,654.8	\$3,963.4
Net Operating Result	\$0.5	(\$1.2)	(\$5.1)
Accumulated Operating Result	\$6.2	\$5.1	\$0.0
Fee-for-Service	2.00%	2.00%	2.00%

*FY 2010 data are actuals

Note: Contract costs displayed in this table exclude DISN contracts. Also, figures may not add due to rounding.

In FY 2011, business volume estimates for Information Technology (IT) contracts have increased by 8.7 percent and non-DISN telecommunications contracts have decreased 6.3 percent. New workload requirements for IT facilities support also contribute to the increased business volume in FY 2011. Finally, there is also an increase in operating costs due to increased DFAS invoice processing costs. Based on historical trends, business volume is expected to grow in FY 2012, while operating costs slightly increase from the FY 2011 level.

The following provides additional detail for each major segment of the Enterprise Acquisition Services budget:

Information Technology Contracts provide IT services supporting engineering, hardware, equipment and maintenance, integration and support, and information security. Workload also

encompasses IT facilities support starting in FY 2011. This new workload supports requirements from DISA's computing centers. This workload will procure facilities related items, execute various engineering projects, and conduct engineering designs, surveys and studies. Specifically, FY 2011 workload reflects the initiation of this line of business. The FY 2012 proposal reflects a full fiscal year of requirements.

Telecommunications Contracts [Non-DISN] provide DISN access and telecommunications circuits and systems ordered on an individual customer basis. DISA is responsible for transitioning all DoD circuits from the legacy Federal Technology Service (FTS2001) contracts to GSA's new Networx contracts. The FTS2001 transition to Networx should be completed by 30 June 2011, with workload growth occurring through FY 2012 because of the new services offered under these GSA contracts. Overall, non-DISN telecommunications contract workload is expected to decline from FY 2011 to FY 2012.

Operating Costs of \$111.6 million provide the civilian salaries, accounting support—including large-scale invoice processing—and contracting and financial support systems to execute the IT and telecommunications activities described above. Two major replacement systems will be implemented over this budget period: Enterprise Business Modernization (EBM) will begin to replace numerous legacy systems; and the Defense Standard Financial Accounting System will begin to replace the legacy accounting system. All operating costs are recovered via the 2 percent fee.

TELECOMMUNICATIONS SERVICES/ENTERPRISE ACQUISITION SERVICES
Major Changes between Fiscal Years
Cost of Operations

(\$ in millions)	FY 2010	FY 2011	FY 2012
FY 2011 President's Budget	\$4,963.2	\$5,348.0	\$5,486.1
FY 2012 Budget Estimates	5,042.2*	5,493.7	5,931.5
Change FY 2011 President's Budget to FY 2012 Budget Estimate	\$79.0	\$145.7	\$445.4
Change FY 2011 Current Estimate to FY 2012 Current Estimate	-	-	\$437.8

*FY 2010 data are actuals

FY 2011 President's Budget to FY 2011 Current Estimates

Total Telecommunications Services/Enterprise Acquisition Services costs are expected to increase by \$145.7 million from the FY 2011 President's Budget.

Fiscal year 2011 Telecommunications Services costs increase \$80.8 million over the FY 2011 President's Budget. Of this increase, a total of \$76.0 million is attributable to higher Defense Information System Network (DISN) reimbursable workload. Increased workload for Commercial Satellite Services (+\$73.1 million) and Enhanced Mobile Satellite Services (+\$18.5 million) are partially offset by a net decrease (-\$12.0 million) in expected workload due to re-estimated customer demand for special customer reimbursable projects and OCO support. A portion of the projected decrease in OCO is due to the removal of Army reimbursable workload related to three DISN sites in Afghanistan. Army is largely incurring these costs directly, not through DISA. There is a decrease of (-\$3.6 million) in support of Bosnia and Kosovo operations. The remaining \$4.8 million increase over the FY 2011 President's Budget baseline is principally due to higher video services costs within DISN Subscription Services. The legacy sole-source video services contract has been in place for approximately 14 years. As a result, DISA is establishing a new contract for these services and is expecting to pay one-time licensing fees under the new contract vehicle.

Costs for Enterprise Acquisition Services are estimated at \$3,654.8 million in FY 2011, an increase of \$64.8 million over the FY 2011 President's Budget estimate. A net increase of \$64.8 million is attributed to additional reimbursable contract workload for information technology contracts (+\$110.3 million), an increase for new reimbursable contract workload for IT facilities support contracts (+\$25.4 million), and an increase for DFAS invoice processing (+\$3.4 million). These increases are partially offset by a decrease in non-DISN telecommunications contracts (-\$74.3 million).

FY 2011 Current Estimates to FY 2012 Current Estimates

As previously discussed, this budget includes several realignments from other DoD budgets to DWCF DISN Subscription Services. These changes are zero-sum—no top-line obligation authority or cost impact at the Department level—solely a new approach to pricing. The realignments are discussed in further detail below.

The following table summarizes the major drivers of change from FY 2011 to FY 2012:

FY 2011 Current Estimate	\$5,493.7
<i>Functional Transfers</i>	<i>167.0</i>
<i>Programmatic Change</i>	<i>203.3</i>
<i>SECDEF Manpower Efficiencies</i>	<i>(7.6)</i>
<i>Inflation</i>	<i><u>75.1</u></i>
FY 2012 Current Estimate	\$5,931.5

These changes are discussed in detail below, beginning with functional transfers.

FUNCTIONAL TRANSFERS IN FY 2012

1. Information Assurance (IA) Activities: \$147.3 million, +57 FTEs

This budget reflects transferring 23 IA Activities to the DWCF. Examples of activities to be transferred include sensing appliances, as well as various network hardening functions such as the Host based Security System and Demilitarized Zones, Public Key Infrastructure, and Network Mapping and Leak Detection. These security functions are an integral part of delivering highly reliable and secure services to the warfighter and benefit all users of the DISN, thus costs are appropriately included in DWCF costs/rates.

2. GIG Content Delivery Service (GCDS): \$18.0 million, +0 FTEs

GCDS provides the capability to bring web content and applications closer to the end-user, minimizing download times and increasing connection speed by forward-staging information across the DISN. This capability will benefit all DISN users as it helps reduce the pressure for increased bandwidth.

3. Commercial Satellite Communications: \$1.7 million, +12 FTEs

This budget includes funding for 12 civilian FTEs transferred from DISA's appropriated O&M account to the DWCF in order to properly align the billets with the mission they support.

The remaining two functional transfers do not add any new cost to the TS/EAS business area. Instead, the transfers change the way costs for the below services are recovered.

4. Secure Mobile Environment - Portable Electronic Device (SME-PED): \$5.5 million, +0 FTEs

The SME-PED is an NSA-approved, handheld device similar to a Blackberry that is capable of providing wireless secure voice and data transmission. The SME-PED is a wireless means of providing SIPRNet and secure voice service. As the requirement for this support is increasingly common across the Department, this budget reflects recovering the costs as part of the subscription share price.

5. DISN Leading Edge Services (DISN LES): \$2.9 million, +0 FTEs

DISN LES is a testing network that utilizes existing DISN infrastructure. Due to the broad community of interest and because the testing network utilizes DISN infrastructure, this budget includes cost recovery for DISN LES via the subscription share price beginning in FY 2012, instead of individual customer reimbursements.

FY 2011 to FY 2012 Programmatic Changes:

Program costs for DISN Subscription Services increase \$24.4 million from FY 2011 to FY 2012. This increase is principally due to the inclusion of costs associated with five Southwest Asia DSS sites that were previously funded on a customer reimbursable basis (\$24.1 million), the addition of AFRICOM as a DSS site (\$6.3 million), and higher customer demand for bandwidth (\$1.7 million). These increases are partially offset by reduced video services costs as the one-time purchase of enterprise licenses is complete (\$5.0 million) and contractor efficiencies/in-sourcing (\$2.7 million).

Costs for DISN Reimbursable Services decrease in total (\$78.1 million). Decreases are attributable to reduced USCENTCOM requirements for Commercial Satellite Services (\$24.7 million), a reduction in reimbursable workload as (\$24.1 million) cost for five Southwest Asia DISN sites is restored to DISN Subscription Services, as described above, and reduced workload for customer-specific reimbursable projects (\$22.6 million). Costs also decrease for Enhanced Mobile Satellite Services (\$7.6 million), as DISA will no longer purchase bulk orders for radio only devices and integration kits. There is a slight increase in Operation Enduring Freedom support in FY 2012 (\$0.9 million).

Program costs for Enterprise Acquisition Services increase \$257.0 million from FY 2011 to FY 2012. This increase reflects anticipated additional workload for IT support contracts. The remaining increase is attributed to the estimated growth in contract workload for IT facilities support contracts from Computing Services (\$20.6 million), partially offset by a projected decrease for Non-DISN telecommunications contract workload (\$34.5 million). Operating costs are expected to increase slightly (\$3.2 million) for DFAS invoice processing and data storage.

Secretary of Defense Manpower Efficiencies:

This budget estimates that FTEs will remain fairly constant to implement the Department's target goals for Defense Agency manpower efficiencies, to include labor and non-labor reductions. The FY 2012 impact of this initiative is a reduction in cost of \$7.6 million.

Inflation:

The remaining \$75.1 million of the increase in cost for Telecommunications and Enterprise Acquisition Services is due to inflation, consistent with the Administration's guidelines for the FY 2012 budget submission. No cost of living pay raises are included for civilian salaries for FY 2011 or FY 2012.

**CAPITAL INVESTMENT PROGRAM
Capital Budget Summary**

(\$ in millions)	FY 2010	FY 2011	FY 2012
Equipment	\$0.0	\$0.9	\$0.4
ADPE and Telecom	20.0	8.2	4.4
Software	0.8	2.2	2.3
Minor Construction	0.0	0.0	0.0
Total Program Authority	\$20.8	\$11.3	\$7.1
FY 2011 President's Budget	\$20.8	\$11.3	-
Net Change FY 2011 President's Budget to FY 2011 Current Estimates	\$0.0	\$0.0	-
Net Change FY 2011 Current Estimate to FY 2012 Current Estimate	-	-	(\$4.2)

FY 2011 President's Budget to FY 2011 Current Estimates

The FY 2011 total capital authority remains unchanged from the FY 2011 President's Budget.

FY 2011 Current Estimates to FY 2012 Current Estimates

The FY 2012 capital authority request decreases by \$4.2 million from FY 2011. The decrease is largely attributable to the partial completion of the EMSS Gateway Transformation. The FY 2012 capital authority request includes funding for various infrastructure projects, required upgrades of telecommunications equipment, and upgrades of financial systems. Additional project details can be found in capital budget exhibits.

PERFORMANCE MEASURES

The Defense Information System Network (DISN) has operating metrics tied to the Department's strategic goals of information dominance. These operational metrics include the cycle time for delivery of data and satellite services as well as service performance objectives such as availability, quality of service, and security measures. Both of these categories of metrics have guided the development of this budget submission. Shown below are major performance and performance improvement measures:

The following performance measures apply for Telecommunications Services:

SERVICE OBJECTIVE	FY 2010 Operational Actual	FY 2011 Operational Goal	FY 2012 Operational Goal
Non-Secure Internet Protocol Router Network access circuit availability	99.49%	98.50%	98.50%
Secure Internet Protocol Router Network latency (measurement of network delay) in the continental United States	40 milliseconds	Not to exceed 100 milliseconds	Not to exceed 100 milliseconds
DISN Video Services availability	99.92%	99.60%	99.60%
Defense Red-Switch Network switch availability	99.95%	99.90%	99.90%
SME-PED Multi-Carrier Entry Point availability/up-time	99.99%	99.50%	99.50%
Defense Switched Network Grade-of-Service (Intra-theater)	P.00	<P.07 (defined as probability seven calls per one hundred are blocked)	<P.07 (defined as probability seven calls per one hundred are blocked)

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

Service Objective	FY 2010 Operational Actual	FY 2011 Operational Goal	FY 2012 Operational Goal
Percent of total eligible contract dollars competed	83.00%	84.70%	84.70%
Percent of total eligible contract dollars awarded to small businesses	26.00%	26.00%	26.00%

**CIVILIAN PERSONNEL
(\$ in millions)**

Telecommunications Services/ Enterprise Acquisition Services	FY 2010*	FY 2011	FY 2012
Civilian End Strength	1,086	1,135	1,216
Civilian Full Time Equivalents	1,043	1,080	1,149
Civilian Labor Cost	\$116.3	\$121.0	\$122.5

*FY 2010 data are actuals

The FY 2011 projection for civilian Full Time Equivalents (FTEs) represents an increase of 37 FTEs over the FY 2010 end-of-year projection. Recruiting and retaining sufficient acquisition personnel to support contracting services workload remains a challenge, and has resulted in a lower-than-planned FY 2010 civilian workforce. As a result, the FY 2011 projection was slightly reduced.

Civilian FTEs are projected to increase by 69 from FY 2011 to FY 2012 as a result of functional transfers.

**MILITARY PERSONNEL
(\$ in millions)**

Telecommunications Services/ Enterprise Acquisition Services	FY 2010*	FY 2011	FY 2012
Military End Strength	79	100	98
Military Full Time Equivalents	79	100	98
Military Labor Cost	\$7.1	\$7.1	\$6.9

*FY 2010 data are actuals

Military Personnel numbers for TS/EAS are consistent with the FY 2011 President's Budget request. The FY 2012 estimate represents a reduction of two military personnel.

Changes in the Costs of Operations
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2011
(Dollars in Millions)

FY 2010	Actual	\$5,042.160
FY 2011	Estimate in FY 2011 President's Budget	\$5,348.034
	<i>Pricing Adjustments:</i>	
	Impact of civilian pay freeze	(1.271)
	<i>Program Changes:</i>	
	Updated workload associated with Enterprise Acquisition Services pass-through IT Support Contracts	110.289
	Increase in reimbursable workload for BRAC actions at Defense Information Systems Network (DISN) sites	90.772
	Net increase in telecommunications workload for Commercial Satellite Services, mostly to support increased Unmanned Aerial Vehicle missions	73.104
	Increase for IT Facilities contract support	25.350
	Increase in Enhanced Mobile Satellite Services costs for additional Distributed Tactical Communications System Field Service Representative support	18.546
	Increase in Video Services costs for one-time enterprise licensing fees, higher maintenance costs, and higher overall contract costs after the current legacy DVS-G contract is re-competed	8.072
	Increase in NIPRNet sustainment costs	3.723
	Reduced reimbursable workload for contingency operations	(102.771)
	Reduction in reimbursable non-DISN Telecommunications Contracts workload	(74.383)
	Efficiencies in Transport and Operational Support Services costs	(3.141)
	Impact of DoD FTE Efficiency Reduction	(0.658)
	Other Efficiencies	(1.982)
FY 2011	Current Estimate	\$5,493.684

Changes in the Costs of Operations
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2011
(Dollars in Millions)

FY 2011	Current Estimate	\$5,493.684
	<i>Pricing Adjustments:</i>	
	Non-labor Inflation	75.070
	<i>Program Changes:</i>	
	<u>Functional Transfer of Information Assurance Activities</u>	147.272
	Transfer of operating costs and 57 full-time personnel from appropriated O&M BA 4 to DWCF DISN Subscription Services	
	<u>Transfer of GIG Content Delivery Service (GCDS) to DISN Pricing</u>	
	Operating costs for the GIG Content Delivery Service now included in DISN Subscription Services to optimize use of the capability	27.000
	Reduced Transport costs due to efficiencies gained through network optimization associated with GIG Content Delivery Service	(9.000)
	Increased workload associated with pass-through IT Support Contracts based on historical growth	267.698
	Network buildout to support U.S. Africa Command	6.300
	Increase in workload associated with IT facility support contracts	20.560
	Reduction in reimbursable non-DISN Telecommunications Contracts workload	(34.501)
	Anticipated reduction in Commercial Satellite Services for USCENTCOM requirements	(24.749)
	Reduced workload for customer funded projects	(22.567)
	Reduction for discontinuing DISA bulk orders of Distributed Tactical Communications System radio devices and integration kits - customers to order directly from vendor	(7.633)
	Decrease in Video Services costs due to the completion of one-time purchases of enterprise licenses	(5.008)
	Decrease due to contractor efficiencies	(2.700)
	Other Miscellaneous	0.063
FY 2012	Current Estimate	\$5,931.489

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2011
(Dollars in Millions)

	2010	2011	2012
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$4,085.998	\$4,501.146	\$4,881.390
ARMY APPROPRIATED	\$987.021	\$1,121.687	\$1,169.752
Army O&M	\$879.709	\$976.913	\$1,014.722
Army RDT&E	\$38.120	\$35.817	\$38.291
Army Procurement	\$68.952	\$87.768	\$100.723
Army MILCON	\$0.241	\$0.171	\$0.164
Army BRAC	\$0.000	\$21.018	\$15.853
NAVY APPROPRIATED	\$531.143	\$572.110	\$630.764
Navy O&M	\$487.772	\$506.111	\$559.114
Navy RDT&E	\$21.916	\$16.104	\$18.976
Navy Procurement	\$21.456	\$44.398	\$52.674
Navy MILCON	\$0.000	\$0.000	\$0.000
Navy BRAC	\$0.000	\$5.497	\$0.000
MARINE CORPS APPROPRIATED	\$47.215	\$77.355	\$84.726
Marine Corps O&M	\$47.215	\$76.114	\$83.536
Marine Corps RDT&E	\$0.000	\$1.068	\$1.190
Marine Corps Procurement	\$0.000	\$0.000	\$0.000
Marine Corps MILCON	\$0.000	\$0.000	\$0.000
Marine Corps BRAC	\$0.000	\$0.173	\$0.000
AIR FORCE APPROPRIATED	\$791.474	\$900.160	\$999.545
AF O&M	\$743.110	\$843.439	\$939.440
AF RDT&E	\$28.190	\$27.401	\$31.213
AF Procurement	\$20.173	\$26.180	\$28.892
AF MILCON	\$0.000	\$0.000	\$0.001
AF BRAC	\$0.001	\$3.140	\$0.000
DISA APPROPRIATED	\$1,178.603	\$1,177.611	\$1,280.514
DISA O&M	\$886.180	\$893.392	\$973.088
DISA RDT&E	\$148.427	\$150.716	\$185.459
DISA Procurement	\$143.995	\$133.503	\$121.966
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DEFENSE WIDE APPROPRIATED	\$462.437	\$521.913	\$536.632
Defense Wide Appropriated O&M	\$344.676	\$400.838	\$399.911
Defense Wide Appropriated RDT&E	\$85.588	\$77.183	\$87.355
Defense Wide Appropriated Procurement	\$20.848	\$37.523	\$41.688
Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
Defense Wide Appropriated BRAC	\$11.326	\$6.369	\$7.679

**Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2011
(Dollars in Millions)**

	2010	2011	2012
OTHER DoD APPROPRIATED	\$88.104	\$130.311	\$179.457
Other DoD Appropriated O&M	\$87.287	\$130.300	\$179.446
Other DoD Appropriated RDT&E	\$0.015	\$0.000	\$0.000
Other DoD Appropriated Procurement	\$0.802	\$0.011	\$0.011
Other DoD Appropriated MILCON	\$0.000	\$0.000	\$0.000
Other DoD Appropriated BRAC	\$0.000	\$0.000	\$0.000
b. ORDERS FROM DWCF/REVOLVING FUNDS	\$658.661	\$778.959	\$894.384
ARMY - WCF	\$0.909	\$0.001	\$0.001
Army Industrial Operations	\$0.909	\$0.001	\$0.001
NAVY - WCF	\$21.273	\$23.748	\$26.611
Navy Depot Maintenance	\$0.000	\$0.000	\$0.000
Navy Base Support	\$0.278	\$0.426	\$0.410
Navy Supply Management	\$0.746	\$1.575	\$1.756
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance	\$0.004	\$0.000	\$0.000
Other Navy Activity Groups	\$20.244	\$21.747	\$24.445
AIR FORCE - WCF	\$71.014	\$80.999	\$92.124
Consolidated Sustainment Activity Group (CSAG)	\$0.345	\$0.096	\$0.102
U.S. Transportation Command (TRANSCOM)	\$70.668	\$80.903	\$92.021
DEFENSE WIDE WCF	\$529.139	\$629.759	\$725.358
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	\$0.357	\$0.221	\$0.226
DISA Computing Services (CSD)	\$470.560	\$561.548	\$649.733
Defense Finance and Accounting Service (DFAS)	\$4.752	\$5.978	\$7.258
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$8.141	\$10.590	\$12.632
DLA Supply Chain Management	\$45.329	\$51.422	\$55.508
DEFENSE COMMISSARY AGENCY (DECA)	\$36.182	\$44.258	\$50.062
DECA Operations	\$36.182	\$44.258	\$50.062
DECA Resale	\$0.000	\$0.000	\$0.000
OTHER - WORKING CAPITAL	\$0.000	\$0.000	\$0.000
OTHER REVOLVING FUNDS	\$0.144	\$0.194	\$0.229
Corps of Engineers	\$0.000	\$0.000	\$0.000
National Defense Stockpile Transaction Fund	\$0.000	\$0.000	\$0.000
Pentagon Reservation Maintenance Revolving Fund	\$0.143	\$0.194	\$0.229
PRMRF/BMF	\$0.000	\$0.000	\$0.000
c. TOTAL DoD ORDERS	\$4,744.659	\$5,280.105	\$5,775.775

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2011
(Dollars in Millions)

		2010	2011	2012
d.	OTHER ORDERS	\$212.213	\$189.534	\$146.700
	OTHER FEDERAL AGENCIES	\$156.420	\$125.096	\$75.428
	TRUST FUNDS	\$51.298	\$55.836	\$62.243
	NON-FEDERAL ORDERS	\$0.014	\$2.925	\$3.143
	FOREIGN MILITARY SALES	\$4.482	\$5.678	\$5.886
	TOTAL NEW ORDERS	\$4,956.872	\$5,469.639	\$5,922.474
2.	Carry In Orders	\$0.000	\$0.000	\$0.000
3.	TOTAL GROSS ORDERS	\$4,956.872	\$5,469.639	\$5,922.474

Revenue and Expenses
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2011
(Dollars in Millions)

	2010	2011	2012
Revenue			
Gross Sales	4,956.872	5,469.639	5,922.474
Operations	4,947.924	5,457.721	5,908.022
Capital Surcharge	0.000	0.000	0.000
Depreciation excluding Major Construction	8.948	11.918	14.452
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts (-)	0.000	0.000	0.000
Total Income:	4,956.872	5,469.639	5,922.474
Expenses			
Salaries and Wages:	123.388	128.103	129.429
Military Personnel Compensation & Benefits	7.078	7.084	6.889
Civilian Personnel Compensation & Benefits	116.310	121.019	122.540
Travel & Transportation of Personnel	3.382	4.446	4.575
Materials & Supplies (For internal Operations)	182.206	180.795	203.839
Equipment	145.570	319.433	353.046
Capital Investment Less than Threshold	(0.077)	0.044	0.000
Other Purchases from Revolving Funds	40.391	42.655	54.130
Transportation of Things	0.013	0.042	0.043
Depreciation - Capital	8.948	11.918	14.452
Printing and Reproduction	0.064	0.127	0.129
Advisory and Assistance Services	14.000	13.616	12.661
Rent, Comm, Utilities, & Misc. Charges	1,550.131	1,813.554	1,801.171
Other Purchased Services	2,974.144	2,978.951	3,358.014
Total Expenses	5,042.160	5,493.684	5,931.489
Operating Results	(85.288)	(24.045)	(9.015)
Less Capital Surcharge Reservation	0.000	0.000	0.000
Less Recover Other	0.000	0.000	0.000
+ Passthrough or Other App. Affecting NOR	0.000	0.000	0.000
- Passthrough or Other App. not Affecting NOR	0.000	0.000	0.000
Other Adjustments Affecting NOR	0.000	0.000	0.000
Net Operating Results	(85.288)	(24.045)	(9.015)
Prior Year AOR	118.348	33.060	9.015
Other Changes Affecting AOR	0.000	0.000	0.000
Accumulated Operating Result	33.060	9.015	0.000
Non-Recoverable Adjustment Impacting AOR	0.000	0.000	0.000
AOR for Budget Purposes	33.060	9.015	0.000

DEPARTMENT OF DEFENSE DEFENSE INFORMATION SYSTEMS AGENCY

Defense Working Capital Fund (DWCF) DISA Computing Services

FISCAL YEAR (FY) 2012 BUDGET ESTIMATES

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

Currently, there are thirteen DECCs, eleven in the continental United States, one in the Pacific and one in Europe. A Theater Enterprise Computing Center (TECC) has also been recently established in Bahrain. The DECCs are configured as follows:

Systems Management Centers (SMC) provide the full complement of data processing services for both mainframe and/or server applications. These centers also remotely manage operations at smaller processing centers.

Infrastructure Service Centers (ISC) are designed to host Net-Centric Enterprise Services and other new service-oriented applications.

Processing Elements (PE) contain computing infrastructure that is managed remotely from a systems management center.

The three DECC/TECC facilities located outside the continental United States provide elements of all three configurations based upon respective theater requirements.

The table below displays computing centers locations and configurations.

Location	Configuration
Mechanicsburg, PA	SMC
Montgomery, AL	SMC
Oklahoma City, OK	SMC
Ogden, UT	SMC
Columbus, OH	ISC
San Antonio, TX	ISC
St. Louis, MO	ISC
Chambersburg, PA	PE
Dayton, OH	PE
Huntsville, AL	PE
Warner Robins, GA	PE
Honolulu, HI	DECC
Stuttgart, Germany	DECC
Kingdom of Bahrain	TECC

The Computing Centers employ highly skilled and experienced teams of government and contractor personnel to manage hardware and software applications encompassing a broad spectrum of computing, storage, and communications technologies. The facilities have been designed and are managed to provide secure, available, and interoperable environments for both classified and unclassified processing under military control. Collectively these facilities provide a robust enterprise computing environment: thirty mainframes, over seven thousand servers, 5,700 terabytes of storage, approximately 450,000 square feet of raised floor, redundant connectivity to the Defense Information System Network core and support to over four million users.

The Computing Services business area provides information processing for the entire gamut of combat support functions, such as transportation, logistics, maintenance, munitions, engineering, acquisition, finance, medical, and military personnel readiness. The applications hosted on the mainframes and servers enable the 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 airlift 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 information for the medical environment and patient care
- Support DoD business, contracting, financial, pay and eBusiness applications

Computing Services' facilities continue to be highly accessible and secure data processing centers with dual high-capacity Defense Information Systems Network connectivity and organic defense in depth, resulting in a secure and robust computing infrastructure. They feature automated systems management to control computing resources and to gain economies of scale. Additionally, Computing Services continues to pursue its "assured computing" philosophy, whereby all infrastructure is designed to ensure that mission-critical data is continuously available for customers.

Computing Services currently manages its Defense-Wide Working Capital Fund business area along the following business lines:

- IBM mainframe
- Unisys mainframe
- Server
- Storage
- Enterprise Solutions

The portfolio of services the computing centers provide continues to evolve as customer requirements change or demand for new services emerge. One example of the new requirements being addressed is the use of "cloud" computing, that is convenient, on-demand, scalable,

network access to a shared pool of configurable computing resources (e.g.; networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.

Highlights, New Initiatives and Potential New Workload

This budget reflects some highlights, new initiatives and potential new workload, as discussed below. It should be noted that events are moving rapidly as DoD plans for data center consolidations.

Highlights Computing Services provides a variety of enterprise infrastructure services that continue to move the Department's data processing toward more centralized and standardized solutions. Enterprise infrastructure enables a collaborative environment and trusted end-to-end information sharing that can adapt to rapidly changing conditions with a goal of protected data on protected networks.

GIG Content Delivery Service and Rapid Access Computing Environment are two capabilities that align with this strategic vision and are discussed below:

GIG Content Delivery Service (GCDS) In FY 2010 Computing Services introduced GCDS, DISA's first cloud computing service, covering fifty regions in twenty-five cities and twelve countries. DISA is leveraging a combination of private sector and government resources to realize significant performance gains and bandwidth offload. DISA has determined that GCDS could benefit the entire DISN subscription services customer base due to these bandwidth efficiencies. Therefore, the Agency plans to transition the GCDS service offering from Computing Services' stabilized rate structure to the DISN subscription share price in FY 2012. The recurring costs for GCDS products (content delivery, net storage, streaming audio/video and Globalview) will be included in the sustainment costs recovered by DISN Subscription Services.

Rapid Access Computing Environment (RACE) RACE implements cloud computing capabilities in a phased approach that builds upon existing services and service models that meet existing Government cloud computing standards. Lessons learned from RACE customer experiences have enabled DISA to add standard configurations and products as part of a continuing maturity cycle in refining Computing Services' "Platform as a Service" cloud offering.

DISA anticipates that RACE will become the preferred choice of the DoD community as customers begin to leverage the enhanced capability.

Beginning in FY 2011 the RACE portal incorporates new capabilities to streamline the DOD application certification and accreditation process. Other portal enhancements include efficiencies in ordering, provisioning, and promoting virtual operating images, expanding the capacity for concurrent users, and changes to mirror existing DoD production computing environments to enable more rapid deployment of new applications.

New Initiatives Beginning in FY 2011, DISA will provide hosting services to the following programs at the DECCs.

Enterprise Email Computing Services has partnered with the Army to design an enterprise email solution. The Army is consolidating approximately 1.4 million email accounts into a single DISA-managed, enterprise e-mail, calendar, mobile, and messaging system in order to eliminate the hundreds of servers distributed throughout the world on Army networks. Computing Services’ engineering design for Enterprise Email has been accomplished in “building block” fashion, such that the service can be efficiently scaled to accommodate additional DoD customers via DISA’s elastic processing and storage capacity capabilities. This enterprise email service will allow customers to shed their labor intensive systems and associated overhead cost. DISA expects that the transition of the Army to this enterprise solution will provide a template for other military services to make a similar transition in future years.

Unclassified Information Sharing (UIS) & Strategic Knowledge Integration Web (SKIWeb) The combatant commands have developed information applications to provide a collaboration bridge among US Military, interagency, foreign military, international organizations, non-government organizations, and other authorities. These applications can be used for planning, collaboration, crisis response, information sharing, and event management capability using a web-based internet service to deliver unimpeded access to information. Given the usefulness of these applications, the Department has decided they should be hosted using the secure, robust DISA facilities.

Computing Services Budget Summary

(\$ in millions)	FY 2010*	FY 2011	FY 2012
Revenue	\$772.5	\$763.8	\$768.3
Cost	\$764.6	\$769.2	\$821.9
Net Operating Results	\$7.9	(\$5.4)	(\$53.6)
Prior Year Accumulated Operating Results	\$51.1	\$59.0	\$53.6
Accumulated Operating Result	\$59.0	\$53.6	\$0.0
Civilian Full Time Equivalent	1,806	1,705	1,705
Military End Strength	4	7	7
Capital Budget	\$29.2	\$30.9	\$43.5

*FY 2010 data are actual.

Numbers may not add due to rounding

The table above provides a summary of the major financial accounts and personnel levels reflected in this budget request. Fiscal Year (FY) 2011 – 2012 reflects best estimates of anticipated customer workload, the resulting Defense Working Capital Fund costs, and profit/loss. In this budget submission, rates are set below expected costs to return accumulated profits to customers in both FY 2011 and FY 2012. Because the net position at the close of FY 2010 is a profit of \$59.0 million, both FY 2011 and FY 2012 rates are set below cost to return all accumulated profits back to the customers by the end of FY 2012 in accordance with the department’s fiscal policy.

The Secretary of Defense has challenged all DoD organizations to strive for greater cost efficiency and savings. This budget reflects cost reduction goals based upon reduced civilian personnel and associated labor cost for both FY 2011 and FY 2012. Fiscal year 2011 rates

remain unchanged from the FY 2011 President’s Budget request, but the NOR/AOR goals have been increased. Fiscal year 2012 rates are set to reflect 1) reduced personnel costs and 2) return of \$53.6 million of projected profits accumulated through FY 2011.

Capital investment increases from FY 2011 to FY 2012 in response to additional requirements, principally for facilities equipment. Further details are provided in the capital budget section of this submission.

MAJOR CHANGES BETWEEN FISCAL YEAR (FY) ESTIMATES

Cost of Operations

(\$ in millions)	FY 2010	FY 2011	FY 2012
FY 2011 President's Budget	\$787.0	\$800.5	\$808.0
FY 2012 Budget Estimates	\$764.6*	\$769.2	\$821.9
Change FY 2011 President's Budget to FY 2012 Current Estimate	(\$22.4)	(\$31.3)	--
Change FY 2011 Current Estimate to FY 2012 current Estimate	--	--	\$52.7

*FY 2010 data reflects actual.

Numbers may not add due to rounding

FY 2011 President’s Budget Submission to FY 2011 Current Estimate

Cost of operations decreases by \$31.3 million from \$800.5 million estimated in the FY 2011 President’s Budget to a new total of \$769.2 million. Workload increases from new customer-funded workload primarily for DISA, Air Force, Army, Military Health Services, and Combatant Commands (\$39.0 million) are more than offset by cost decreases. The cost decreases are attributable to the Secretary of Defense-directed manpower efficiency initiatives (\$19.3 million), overhead reductions (\$7.5 million), removal of civilian pay raise (\$2.2 million), reduced depreciation expenses (\$9.7 million), and reduced hardware expenses (\$14.6 million). Further, cost savings are expected through competitively-awarded contract renewals in the areas of hardware, software, and technical support (\$5.4 million). Modifying the legacy storage tape environment to a more affordable solution should further contribute to a decrease in cost (\$9.2 million). The remaining difference (\$2.4 million) is primarily due to reduction in facilities maintenance costs and miscellaneous projects.

FY 2011 Current Estimate to FY 2012 Current Estimate

The cost of operations from FY 2011 to FY 2012 is expected to increase \$52.7 million from \$769.2 million to \$821.9 million. The cost increases are primarily due to additional workload for Enterprise Email (\$54.7 million) and inflation (\$8.6 million). These increases are partially offset by a decrease for one time infrastructure improvements that occur in FY 2011 (\$7.6 million). The remaining difference (\$3.0 million) is primarily due to reduction in maintenance cost associated with hardware.

CAPITAL INVESTMENT PROGRAM

Capital Budget Summary

(\$ in millions)	FY 2010*	FY 2011	FY 2012
Equipment	\$19.0	\$25.5	\$32.0
ADPE & Telecom	\$6.2	\$1.8	\$6.0
Software	\$3.0	\$2.5	\$3.0
Minor Construction	\$1.0	\$1.1	\$2.5
Total Program	\$29.2	\$30.9	\$43.5
FY 2011 President's Budget	\$29.2	\$30.9	--
Net Change FY 2011 President's Budget to FY 2011 Current Estimate	-0-	-0-	--
Net Change FY 2011 Current Estimate to FY 2012 Current Estimate	--	--	\$12.6

*FY 2010 data are actual.

Numbers may not add due to rounding

The Capital investment program in FY 2011 and FY 2012 is primarily required for equipment replacements and facilities improvements at the computing centers.

FY 2011 President's Budget Capital Submission to FY 2011 Current Estimate

The current FY 2011 total program reflects no change from the FY 2011 President's Budget request; however some minor funding realignments between capital categories are requested. A decrease of \$1.0 million in ADPE & Telecom is offset by \$1.0 million increase for a Mainframe Internet Access Portal (MIAP) software management tool to accommodate users migrating through the portal to maintain security protocols.

FY 2011 Current Estimate to FY 2012 Current Estimate

The capital program authority for FY 2012 increases by \$12.6 million over FY 2011. Facility improvements, including extensive mechanical system upgrades, chillers, pumps, cooling towers, generators and uninterruptable power systems are needed at Montgomery, Chambersburg, Huntsville, Dayton and Warner Robins. Funds to upgrade cabling and network topology at DECC's Columbus and Oklahoma City are also requested for FY 2012. In addition, increases in minor construction are due to the second main electrical feed installation at Montgomery and anti-terrorism force protection infrastructure upgrades at Ogden and St. Louis. Minor software increases are requested for internet access portal as additional users are migrated through FY 2012.

PERFORMANCE MEASURES

The Computing Service business area tracks its performance and results through the DISA Director’s performance reviews. There are two key operational metrics, depicted in the table below, which reflect the availability of critical applications in the computing centers. The first metric, “Availability of Service,” expressed as a percentage of uptime, represents application availability from the end user’s perspective and includes all outages or downtime regardless of root cause or problem ownership. The second metric, “Quality of Service,” represents DISA’s performance, i.e., how well DISA is executing its responsibilities exclusive of factors outside the agency’s control such as last mile communications issues, base power outages or the like. The goals represent averages across the entire enterprise. Higher or lower service objectives may be established with individual customers (based upon mission requirements, cost and risk) as codified in respective Service Level Agreements.

SERVICE OBJECTIVE	FY 2010 ACTUALS	FY 2011 OPERATIONAL GOALS	FY 2012 OPERATIONAL GOALS	SERVICE DESCRIPTION
Availability of Service	99.1%	98.5%	98.5%	Percentage of application availability, including all downtime associated with unscheduled outages within the operational environment that impacts the end user.
Quality of Service	99.9%	99.5%	99.5%	Percentage of application availability exclusive of factors outside the Agency’s control (e.g., last mile communications).

Integrated Enterprise System Management Tools (ITSM) Metrics

ITSM is an automated tool suite that will allow the computing centers to produce metrics to measure the health of current processes. The health of current processes is measured in terms of four objectives: value, quality, performance, and compliance.

The tools support these objectives using the following metrics:

- Incident management - restore service degradations
- Problem management - identify systemic infrastructure errors and eliminate them to minimize impact and improve availability
- Change Management - handle changes with minimum impact
- Configuration management - identify, control, and manage resources
- Release Management - ensure production readiness through proven releases
- Service Level management - obtain customer agreement on level, scope, quality, and performance
- Availability management - define and plan for service availability
- Capacity management - understand current and future capacity requirements
- Continuity management - recover systems after a disaster within time requirements
- Financial management - plan and deliver IT services within forecasted budgets

RATES

DISA Computing Services' budget has two basic methods of cost recovery: stabilized fixed rates and direct reimbursement. Rates are formulated to recover the total cost of operations, including direct and overhead costs. As depicted on the chart below, Mainframe, Server, Storage and Other rates are all decreasing, reflecting a composite rate decrease of 12.99% from FY 2011 to FY 2012. Fiscal Year 2012 rates have also been calculated to return prior year accumulated gains; that is, they are set below projected unit costs.

FY 2011 – FY 2012 Rate Change	
IBM Mainframe	-14.81%
Unisys Mainframe	-9.41%
Server	-11.65%
Storage	-15.95%
Other	-17.24%
<i>Composite Rate Change</i>	<i>-12.99%</i>

Mainframe Rates: The IBM Mainframe composite rate decreases by 14.81% in FY 2012 to return prior year profits. Workload increases combined with cost containment are contributing to a 9.41% decrease in the Unisys Mainframe composite rate in FY 2012.

In FY 2012, Computing Services plans to combine the Unisys disk megabyte/day and Unisys tape megabyte/day rates into one combined Unisys Storage rate. This rate consolidation allows Computing Services to use the managing software to more reliably categorize the importance of stored data, thereby more efficiently managing customer data. The software can then measure the frequency of use and automatically move the least accessed data to less costly storage media.

Server Rates: All FY 2012 billing rates in the Server environment decrease from the FY 2011 approved rates, returning projected FY 2011 gains to customers.

In FY 2012, Computing Services plans to eliminate the operating system-based pricing structure for basic services. Rather than offering separate rates for the Windows/LINUX and UNIX platforms, both platforms are combined with no distinction in the rates between operating systems.

In addition, the current descriptive sizes (Mini, Small, Medium, etc.) will be renamed to “levels” to provide more flexibility with sizing options as technology improves and smaller units are required. This change to basic services will have no financial impact to the Server customers.

The Hardware Services rate covers the cost of supplying the customer with server capacity. In FY 2012, the descriptive size names (Mini, Small, Medium, etc.) will be changed to mirror the levels for basic services. Changing the descriptive size names will have no financial impact to the Server customers.

Storage Rates: The composite average of storage rates in FY 2012 decreases by 15.95% from FY 2011. This is a result of a 15% increase in server storage workload combined with cost containment.

In FY 2012, DISA Computing Services is introducing a Tier 2 storage service offering that will permit the movement of data to slower, less expensive storage media for those customers whose system requirements can be met at this level. This will serve to contain both DISA and the customer's expenses.

Other Rates: The Automated Time and Attendance Production rate decreases from FY 2011 to FY 2012 due to increased economies of scale and returning projected FY 2011 gains to customers. The GIG Content Delivery Service rates are discontinued in FY 2012 as these costs will now be recovered in the DISN Subscription price.

Fiscal Year (FY) 2011 - FY 2012 Mainframe, Storage, and Other Services Rates

IBM Mainframe Rates	FY 2011	FY 2012
CPU Hours (per Hour)	\$531.4882	\$453.0655
IBM LINUX (per Hour)	\$31.4395	\$27.9647
Unisys Mainframe Rates	FY 2011	FY 2012
SUPS (Per Hour)	\$13.3875	\$12.9568
DASD (MB/Day)	\$0.0214	-
Tape Storage (MB/Day)	\$0.0036	-
Unisys Storage (MB/Day)	-	\$0.0189
Storage Rates	FY 2011	FY 2012
IBM Storage (MB/Day)	\$0.0004	\$0.0003
IBM Long Term Storage (MB/Day)	\$0.0003	\$0.0002
Server Basic Local Service (GB/Month)	\$2.2948	\$1.7590
Server Basic Remote Service (GB/Month)	\$0.8051	\$0.7093
Server Operational Local (GB/Month)	\$0.8294	\$0.7552
Server Operational Remote (GB/Month)	\$1.9757	\$1.7689
Server High Availability Local (GB/Month)	\$1.2909	\$1.1697
Server High Availability Remote (GB/Month)	\$2.7419	\$2.3704
Server Non Disruptive Local (GB/Month)	\$2.5218	\$2.2419
Server Non Disruptive Remote (GB/Month)	\$3.7807	\$3.2127
Server Tier 2 Basic Local Service (GB/Month)	-	\$1.5303
Other Services Rates	FY 2011	FY 2012
ATAAPS (per Account/Year)	\$19.45	\$16.10

GIG Content Delivery Service Rates (Monthly)

GCDS Rates (Monthly)	FY 2011	FY 2012
Content Delivery Micro	\$905	-
Content Delivery Small	\$3,621	-
Content Delivery Medium	\$10,692	-
Content Delivery Large	\$20,366	-
Content Delivery Enterprise	\$73,318	-
Content Delivery X-Large	\$83,333	-
Content Delivery Exceptional	\$370,833	-
Net Storage	FY 2011	FY 2012
Small (GB/Month)	\$8,185	-
Medium (GB/Month)	\$24,557	-
Large (GB/Month)	\$98,228	-
Enterprise (GB/Month)	\$327,426	-

FY 2011 – FY 2012 Server Rates (Monthly)

Server Rates (Monthly)	FY 2011	FY 2012
Windows Basic Mini	\$1,503	-
Windows Basic Small	\$2,424	-
Windows Basic Large	\$2,688	-
Windows Basic Enterprise	\$2,904	-
UNIX Basic Mini	\$1,506	-
UNIX Basic Small	\$2,464	-
UNIX Basic Medium	\$2,758	-
UNIX Basic Large	\$2,995	-
UNIX Basic Enterprise	\$9,622	-
Server Basic Level 2	-	\$1,239
Server Basic Level 3	-	\$2,014
Server Basic Level 4	-	\$2,226
Server Basic Level 5	-	\$2,409
Server Basic Level 6	-	\$7,973
Hardware Services Mini x86 (Level 2)	\$124	\$123
Hardware Services Small x86 (Level 3)	\$335	\$332
Hardware Services Large x86 (Level 4)	\$561	\$553
Hardware Services Enterprise x86 (Level 5)	\$3,509	\$3,487
Hardware Services Mini Non-x86 (Level 2)	\$980	\$920
Hardware Services Small Non-x86 (Level 3)	\$1,598	\$1,518
Hardware Services Medium Non-x86 (Level 4)	\$3,090	\$3,041
Hardware Services Large Non-x86 (Level 5)	\$7,946	\$7,803
Hardware Services Enterprise Non-x86 (Level 6)	\$18,890	\$18,660
Database Software Level 2	\$641	\$578
Database Software Level 3	\$2,910	\$2,654
Database Software Level 4	\$5,956	\$5,437
Database Software Level 5	\$6,742	\$6,097
Database Software Level 6	\$13,220	\$13,220
Application Support	\$1,535	\$1,264
Database Administration	\$1,984	\$1,653
24 x 7 Services	\$1,537	\$1,372

CIVILIAN PERSONNEL

(\$ in millions)	FY 2010*	FY 2011	FY 2012
Civilian End Strength	1,894	1,745	1,745
Civilian Full Time Equivalents	1,806	1,705	1,705
Civilian Labor Cost	\$203.2	\$190.7	\$193.6

*FY 2010 data are actual

This budget also estimates that FTEs will remain fairly constant to implement the Department's target goals for Defense Agency manpower efficiencies, to include labor and non-labor reductions.

MILITARY PERSONNEL

(\$ in millions)	FY 2010*	FY 2011	FY 2012
Military End Strength	4	7	7
Military Full Time Equivalents	4	7	7
Military Labor Cost	\$0.9	\$1.1	\$1.1

*FY 2010 data are actual

Military personnel end strength and full time equivalents have not changed from the FY 2011 President's Budget.

Changes in the Costs of Operations
Defense Information Systems Agency
COMPUTING SERVICES
February 2011
(Dollars in Millions)

FY 2010	Actual	764.576
FY 2011	Estimate in FY 2011 Budget Estimates	800.484
	<i>Pricing Adjustments:</i>	
	<i>Civilian/Military pay raise</i>	(2.188)
	<i>Program Changes:</i>	
	<i>Secretary of Defense-efficiency initiative</i>	(19.301)
	Customer Requirements:	
	New customer funded workload requirements primarily for DISA, Air Force, Army, and MHS	35.034
	New workload for Unclassified Information Sharing	3.000
	New workload for Strategic Knowledge Integration Web (SKIWeb)	0.995
	Decreased hardware requirements	(14.558)
	Depreciation expense	(9.716)
	Decrease due to modification of IBM storage tape tech refresh requirement to more affordable solution	(9.176)
	Management reductions in overhead support and directed initiatives	(7.466)
	Savings from HW/SW & Tech Support Recompete	(5.381)
	Decrease in planned facilities improvements	(1.000)
	Miscellaneous	(1.545)
FY 2011	Current Estimate	769.182
	<i>Pricing Adjustments:</i>	
	Non-Labor Inflation	8.620
	<i>Program Changes:</i>	
	New customer funded workload - Enterprise Email	54.709
	Secretary of Defense-efficiency initiative	(0.658)
	Depreciation expense increases due to activation of completed Facilities projects	4.730
	One-time costs for facilities improvements in FY2011	(4.996)
	One-time costs for Integrated Enterprise Systems Management tools in FY 2011	(2.605)
	Reduction in maintenance and operation cost as items are tech refreshed on capacity services contracts	(2.639)
	IBM software termination due to customer standardization	(0.980)
	Miscellaneous	(3.443)
FY 2012	Current Estimate	821.920

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2011
(Dollars in Millions)**

		2010	2011	2012
1. New Orders				
a.	ORDERS FROM DoD COMPONENTS	\$419.946	\$404.729	\$412.631
	ARMY APPROPRIATED	\$18.619	\$20.143	\$72.105
	Army O&M	\$17.608	\$18.979	\$71.169
	Army RDT&E	\$1.011	\$1.164	\$0.937
	Army Procurement	\$0.000	\$0.000	\$0.000
	Army MILCON	\$0.000	\$0.000	\$0.000
	Army BRAC	\$0.000	\$0.000	\$0.000
	NAVY APPROPRIATED	\$18.067	\$20.874	\$16.824
	Navy O&M	\$18.067	\$20.874	\$16.824
	Navy RDT&E	\$0.000	\$0.000	\$0.000
	Navy Procurement	\$0.000	\$0.000	\$0.000
	Navy MILCON	\$0.000	\$0.000	\$0.000
	Navy BRAC	\$0.000	\$0.000	\$0.000
	MARINE CORPS APPROPRIATED	\$24.517	\$23.884	\$21.551
	Marine Corps O&M	\$24.517	\$23.884	\$21.551
	Marine Corps RDT&E	\$0.000	\$0.000	\$0.000
	Marine Corps Procurement	\$0.000	\$0.000	\$0.000
	Marine Corps MILCON	\$0.000	\$0.000	\$0.000
	Marine Corps BRAC	\$0.000	\$0.000	\$0.000
	AIR FORCE APPROPRIATED	\$133.165	\$129.779	\$115.936
	AF O&M	\$125.115	\$121.965	\$108.940
	AF RDT&E	\$0.775	\$0.532	\$0.461
	AF Procurement	\$7.276	\$7.282	\$6.535
	AF MILCON	\$0.000	\$0.000	\$0.000
	AF BRAC	\$0.000	\$0.000	\$0.000
	DISA APPROPRIATED	\$109.735	\$96.399	\$74.026
	DISA O&M	\$108.108	\$94.614	\$72.253
	DISA RDT&E	\$1.627	\$1.785	\$1.773
	DISA Procurement	\$0.000	\$0.000	\$0.000
	DISA MILCON	\$0.000	\$0.000	\$0.000
	DISA BRAC	\$0.000	\$0.000	\$0.000
	DEFENSE WIDE APPROPRIATED	\$13.237	\$23.024	\$20.618
	Defense Wide Appropriated O&M	\$9.202	\$19.382	\$17.468
	Defense Wide Appropriated RDT&E	\$4.035	\$3.642	\$3.151
	Defense Wide Appropriated Procurement	\$0.000	\$0.000	\$0.000
	Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
	Defense Wide Appropriated BRAC	\$0.000	\$0.000	\$0.000

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2011
(Dollars in Millions)**

	2010	2011	2012
OTHER DoD APPROPRIATED	\$102.606	\$90.628	\$91.570
Other DoD Appropriated O&M	\$98.039	\$86.694	\$87.551
Other DoD Appropriated RDT&E	\$4.460	\$3.807	\$3.902
Other DoD Appropriated Procurement	\$0.108	\$0.126	\$0.117
Other DoD Appropriated MILCON	\$0.000	\$0.000	\$0.000
Other DoD Appropriated BRAC	\$0.000	\$0.000	\$0.000
b. ORDERS FROM DWCF/REVOLVING FUNDS	\$352.549	\$359.089	\$355.682
ARMY - WCF	\$10.392	\$9.651	\$8.057
Army Industrial Operations	\$10.392	\$9.651	\$8.057
NAVY - WCF	\$20.974	\$14.356	\$11.428
Navy Depot Maintenance	\$0.000	\$0.000	\$0.000
Navy Base Support	\$0.015	\$0.014	\$0.013
Navy Supply Management	\$19.020	\$14.003	\$11.094
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance	\$0.000	\$0.000	\$0.000
Other Navy Activity Groups	\$1.940	\$0.339	\$0.321
AIR FORCE - WCF	\$25.909	\$30.210	\$27.675
Consolidated Sustainment Activity Group (CSAG)	\$15.351	\$21.871	\$19.853
U.S. Transportation Command (TRANSCOM)	\$10.558	\$8.339	\$7.822
DEFENSE WIDE WCF	\$294.287	\$303.778	\$307.456
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	\$30.048	\$34.263	\$58.148
DISA Computing Services (CSD)	\$0.000	\$0.000	\$0.000
Defense Finance and Accounting Service (DFAS)	\$115.964	\$121.328	\$110.696
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$0.071	\$0.368	\$0.320
DLA Supply Chain Management	\$148.204	\$147.818	\$138.292
DEFENSE COMMISSARY AGENCY (DECA)	\$0.000	\$0.000	\$0.000
DECA Operations	\$0.000	\$0.000	\$0.000
DECA Resale	\$0.000	\$0.000	\$0.000
OTHER - WORKING CAPITAL	\$0.986	\$1.093	\$1.066
OTHER REVOLVING FUNDS	\$0.000	\$0.000	\$0.000
Corps of Engineers	\$0.000	\$0.000	\$0.000
National Defense Stockpile Transaction Fund	\$0.000	\$0.000	\$0.000
Pentagon Reservation Maintenance Revolving Fund	\$0.000	\$0.000	\$0.000
PRMRF/BMF	\$0.000	\$0.000	\$0.000
c. TOTAL DoD ORDERS	\$772.495	\$763.818	\$768.312

**Source of New Orders and Revenue
 Defense Information Systems Agency
 PE54 COMPUTING SERVICES
 February 2011
 (Dollars in Millions)**

		2010	2011	2012
d.	OTHER ORDERS	\$0.000	\$0.000	\$0.000
	OTHER FEDERAL AGENCIES	\$0.000	\$0.000	\$0.000
	TRUST FUNDS	\$0.000	\$0.000	\$0.000
	NON-FEDERAL ORDERS	\$0.000	\$0.000	\$0.000
	FOREIGN MILITARY SALES	\$0.000	\$0.000	\$0.000
	TOTAL NEW ORDERS	\$772.495	\$763.818	\$768.312
2.	Carry In Orders	\$0.000	\$0.000	\$0.000
3.	TOTAL GROSS ORDERS	\$772.495	\$763.818	\$768.312

Revenue and Expenses
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2011
(Dollars in Millions)

	2010	2011	2012
Revenue			
Gross Sales	772.495	763.818	768.312
Operations	752.600	747.379	747.143
Capital Surcharge	0.000	0.000	0.000
Depreciation excluding Major Construction	19.895	16.439	21.169
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts (-)	0.000	0.000	0.000
Total Income:	772.495	763.818	768.312
Expenses			
Salaries and Wages:	204.073	191.731	194.625
Military Personnel Compensation & Benefits	0.908	1.059	1.048
Civilian Personnel Compensation & Benefits	203.165	190.672	193.577
Travel & Transportation of Personnel	4.305	4.343	4.356
Materials & Supplies (For internal Operations)	28.138	8.580	19.576
Equipment	0.000	0.000	0.000
Capital Investment Less than Threshold	0.000	1.294	0.398
Other Purchases from Revolving Funds	19.562	23.965	24.708
Transportation of Things	0.210	0.339	0.341
Depreciation - Capital	19.895	16.439	21.169
Printing and Reproduction	0.015	0.018	0.018
Advisory and Assistance Services	0.000	0.000	0.000
Rent, Comm, Utilities, & Misc. Charges	6.102	212.039	215.012
Other Purchased Services	482.276	310.434	341.717
Total Expenses	764.576	769.182	821.920
Operating Results	7.919	(5.364)	(53.608)
Less Capital Surcharge Reservation	0.000	0.000	0.000
Less Recover Other	0.000	0.000	0.000
+ Passthrough or Other App. Affecting NOR	0.000	0.000	0.000
- Passthrough or Other App. not Affecting NOR	0.000	0.000	0.000
Other Adjustments Affecting NOR	0.000	0.000	0.000
Net Operating Results	7.919	(5.364)	(53.608)
Prior Year AOR	51.053	58.972	53.608
Other Changes Affecting AOR	0.000	0.000	0.000
Accumulated Operating Result	58.972	53.608	0.000
Non-Recoverable Adjustment Impacting AOR	0.000	0.000	0.000
AOR for Budget Purposes	58.972	53.608	0.000

**DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2012 BUDGET ESTIMATES
FEBRUARY 2011
OVERVIEW
DEFENSE LOGISTICS AGENCY**

The Defense Logistics Agency (DLA) is America's Combat Logistics Support Agency. We provide effective and efficient worldwide support to warfighters and our other customers.

We provide full-spectrum logistics support to Soldiers, Sailors, Airmen, Marines, and civilians around the world, everyday. Wherever the diverse DoD global mission takes them, they share a common need for logistics supplies and services. We partner with the services, the combatant commanders (COCOMs), and private industry to provide full-spectrum support.

If a Soldier, Sailor, Airman, or Marine wears or eats it, receives medical treatment with it, or uses it as fuel, it comes from our Agency and our sources. When military or civilian artisans need an item to build a new operating area or repair a weapon system, DLA is the foremost provider of those articles as well.

We supported deployed warfighters in every major conflict and contingency operation over the past five decades, from the Vietnam War to current operations in Iraq and Afghanistan. Our DLA Europe/Africa, Central, and Pacific organizations, along with our in-theater on-the-ground DLA support teams bring logistics products and services to warfighters worldwide and give DLA a global footprint.

We support more than 1,600 weapons systems with organizational and intermediate level maintenance parts. DoD's supply, storage and distribution efforts, under BRAC 2005, moved the Agency into a more prominent role to support service industrial level maintenance for aviation, maritime, and land parts. Our reach now extends to industrial support activities, the cornerstones of sustained long-term weapons systems readiness.

In addition to providing military installations energy needs, DLA also furnishes vital logistics support to military hospitals, dining facilities and recruit training centers. Our service to these entities ensures the best in care, comfort and sustainment for the men and women of the Armed Forces.

We are also the DoD prime logistics integrator. We provide an array of additional supply chain management services, including cataloging and technical information; planning, forecasting and sourcing; acquisition of materiel and services; strategic tactical

distribution functions including receipt, storage, issue, and shipment; retrograde, reutilization and disposal' and document automation and production.

DLA is responsible for the entire retail supply chain for bulk petroleum, from the refinery to the consuming end item. We have eliminated the overwhelming majority of service-owned product and related fuels Service Working Capital Funds.

A description of each activity group follows:

Supply Chain Management

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

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

The Materiel Supply Chains fill nearly 27.8 million customer orders annually from the military services, other federal agencies, non-federal agencies and foreign military for the 5.3 million consumable items managed by DLA. In addition, BRAC added two new responsibilities for the materiel supply chains and will be fully implemented by FY11: procuring all new Depot Level Repairable (DLR) items for the Military Services and managing the Supply, Storage, and Distribution (SS&D) functions at major Military Service industrial sites.

DLA Distribution is responsible for the global distribution and warehousing of Military Service and DLA materiel line items. Major customers are the Supply Management Activity Groups of the Military Services and DLA. The Distribution network, which consists of 25 depots strategically located throughout the world, receives and issues over 21.2 million secondary lines and warehouses and maintains over 211.2 million cubic feet of material.

DLA Disposition Services is responsible for the reuse, or reutilization, of excess and surplus personal property within the DoD. In FY 2010, over \$1.7 billion worth of personal property will be reutilized, minimizing the need for the Department to reinvest in these items. If property is not reutilized, it is made available for transfer to other Federal agencies. Remaining property becomes

surplus and is made available for donation to authorized state agencies and charitable organizations. Property that cannot be reutilized, may be offered for competitive sale to the public, recycled, or disposed. DLA Disposition Services also performs other vital DoD missions; such as scrap metal recovery, demilitarization (DEMIL), and hazardous waste disposal.

Supply Chain Management Statement of Revenue and Expenses

(Dollars in Millions)	FY 2010	FY 2011	FY 2012
Revenue	24,913.4	24,413.2	23,180.0
Expenses	24,445.6	24,590.0	23,270.8
Direct Appropriation	38.6	39.4	31.6
Cash Surcharge	0.0	0.0	-79.7
Inventory Surcharge	-9.8	-160.6	-194.1
Capital Surcharge	58.3	130.7	70.1
Supplemental	86.4	84.5	90.0
Net Operating Results	641.3	-82.8	-172.9
Prior Year Accumulated Operating Results	-21.7	619.7	536.9
Other Changes Affecting AOR	0.0	0.0	-364.8
Ending Accumulated Operating Results	619.7	536.9	0.9

Energy Management

DLA Energy Management located at Fort Belvoir, Virginia, serves as the Department's Executive Agent for bulk petroleum. DESC manages both wholesale and retail (base operating support) aspects of the Petroleum Supply Chain in support of the Department's requirements. DESC provides comprehensive worldwide support for the military services, federal agencies, and other authorized customers. This effort includes arranging for petroleum support services, providing facility/equipment maintenance on fuel infrastructure; performing DLA Energy Managements fuel-related environmental assessment and cleanup responsibility; coordinating bulk petroleum transportation; and performing petroleum quality assurance functions worldwide. In addition, DLA Energy Management provides support to the Department for aerospace (formerly missile) fuels; electricity, natural gas products, and assistance to the Services regarding privatization of utilities and initiatives in alternative fuels.

Energy Management Statement of Revenue and Expenses

(\$ in Millions)	FY 2010	FY 2011	FY 2012
Revenue	15,502.8	16,400.6	16,878.8
Expenses	14,954.7	16,692.3	17,328.2
Operating Results	548.2	-291.7	-449.4
Supplementals	382.8	383.9	278.8
Net Operating Results	931.0	92.2	-170.6
Prior Year Accumulated Operating Results	-513.5	417.5	509.7
Other Changes Affecting AOR	0.0	0.0	-339.1
Ending Accumulated Operating Results	417.5	509.7	0.0

Document Services

DLA Document 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.

DLA Document Services value to DoD is characterized by two elements. First, Document Services provides a full portfolio of best value document services ranging from traditional offset printing, through on-demand output, to online document services. Second, Document Services actively functions as a transformation agent moving DoD toward the use of online documents and services. These services include building libraries of digital documents to permit online access, providing multifunctional devices (that print from networks, copy, fax, and scan) in customer workspaces, and converting paper documents to target digital formats. Over the past three fiscal years, the total volume of digital units produced by DLA Document Services has increased by 84 percent.

DLA Document Services manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 182 production facilities.

Document Services Statement of Revenue and Expenses

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Revenue	319.539	368.000	368.543
Cost of Goods Sold	343.601	374.195	376.658
Cash Surcharge			
Capital Surcharge			
Inventory Surcharge			
Other Changes Affecting NOR	0	0	0
Net Operating Results	(24.062)	(6.195)	(8.115)
Prior Year Accumulated Operating Results	38.372	14.310	8.115
Ending Accumulated Operating Result	14.310	8.115	0.000
Workload			
In-House Production (Units)	2,571.4	2,405.5	2,338.1

DEFENSE LOGISTICS AGENCY
Defense-Working Capital Fund
Supply Chain Management Activity Group
FISCAL YEAR (FY) 2012
Budget Estimates
February 2011

ACTIVITY GROUP DESCRIPTION

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

The DLA Supply Chain Management Activity Group is broken into three business segments: Materiel Supply Chains, DLA Distribution (formerly Defense Distribution Supply Chain - DDC) and DLA Disposition Services (formerly Defense Reutilization and Marketing Supply Chain - DRMS).

- The Materiel Supply Chains in FY 2010 filled more than 27.8 million customer orders from the Military Services, other Federal Agencies, non-federal Agencies and Foreign Militaries for the 5.3 million consumable items managed by DLA. In addition, Base and Realignment Closure (BRAC) added two new responsibilities for the Materiel Supply Chains and will be fully implemented by FY 2011: procuring all new Depot Level Repairable (DLR) items for the Military Services and managing the Supply, Storage, and Distribution (SS&D) functions at major Military Service industrial sites. A brief description of each supply chain follows.
- The **DLA Aviation** is the primary source for nearly 1.4 million repair parts and operating supply items for aviation weapon systems.
- The **DLA Land** is the primary source for nearly 459,000 repair parts and operating supply items for land-based weapon systems.
- The **DLA Maritime** is the primary source for nearly 1.8 million repair parts and operating supply items driven by Aviation, Land and Maritime platforms.

- The **DLA Troop Support Clothing and Textiles (C&T)** provides dress and field uniforms, field gear, tentage, and personal chemical protective items to the Armed Forces in peace and in war. This includes end items and components, fire resistant items, body armor, and testing and evaluation. The C&T Supply Chain is the primary source of 47,929 items for 20,600 customers.
- The **DLA Troop Support Medical** is the primary source for 1.1 million medical items for the Military Services in peacetime and war including medical supplies, equipment, pharmaceuticals, and other health care items.
- The **DLA Troop Support Subsistence** is the primary source for 72,073 Subsistence items including fresh fruits and vegetables, frozen and dehydrated food, and Meals Ready-to-Eat.
- The **DLA Troop Support Construction and Equipment (C&E)** gives our Armed Forces and other Federal Agencies a source for 372,406 National Stock Numbers (NSNs) and other essential products as diverse as light bulbs and bulldozers. It supplies items for force protection, safety and rescue, fire and emergencies, storage, Heating, Ventilating and Air Conditioning (HVAC), plumbing, heavy equipment, metals and lumber, as well as imaging and telecommunication devices, targets for training, and Automatic Data Processing (ADP) equipment and supplies.
- **DLA Distribution** is responsible for the global distribution and warehousing of Military Service and DLA materiel line items. Major customers are the Supply Management Activity Groups of the Military Services and DLA. The Distribution network, which consists of 25 depots strategically located throughout the world, received and issued 21.2 million secondary lines and warehoused and maintained 211.2 million cubic feet of material in FY 2010.
- **DLA Disposition Services** is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2010, over \$1.7 billion worth of personal property was reutilized, minimizing the need for DoD to reinvest in these items. If property is not reutilized, it is made available for transfer to other Federal Agencies. Remaining property becomes surplus and is made available for donation to authorized State Agencies and charitable organizations. Property that cannot be reutilized, may be offered for competitive sale to the public, recycled, or disposed. DLA

Disposition Services also performs other vital DoD missions; such as scrap metal recovery, demilitarization (DEMIL), and hazardous waste disposal.

In addition, DLA's Supply Chain Management includes a small number of DoD Logistics support activities, such as the DLA Logistics Information Service (formerly Defense Logistics Information Service - DLIS) and DLA Transaction Services (formerly Defense Automatic Addressing System Center - DAASC).

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

ACTIVITY GROUP BUSINESS CHANGES

Significant changes in the nature of the business include:

- **Transfer of 3 functions to DLA Distribution from the Navy with a business cost of \$126.1 million in FY 2012:**
 - **Navy Warehouse Transfer Initiative** - transfer of warehousing and distribution functions and associated Full Time Equivalents (FTEs). The focus in FY 2010 was on the "As Is, Where Is" transfer of functions and personnel across six Fleet and Industrial Supply Center (FISC) regions. The final three sites were transferred in October 2010.
 - **Materiel Processing Centers (MPC)** - transfers receiving, de-bulking, de-trashing and most significantly customized sorting workload
 - **Intermodal Hub** - transfer of the reimbursable Consolidation and Containerization Point (CCP)-like work and the sustainment ship load/discharge mission from the

Fleet Industrial Supply Center (FISC) Norfolk to DLA Distribution Norfolk, Virginia.

- **BRAC Materiel Supply Chains Supply, Storage, and Distribution (SS&D) and Depot Level Repairable (DLR) Procurement Mission Changes** - DLA implemented the BRAC initiatives as budgeted, primarily assuming procurement responsibility for DLR items from the Military Services as well as managing the SS&D functions at major Military Service industrial sites. In addition to these new missions, BRAC also directed the logistics re-assignment of over 86 thousand consumable NSNs from the Military Services to DLA from 2007 to 2011. This Consumable Item Transfer (CIT) will be completed in 2011 and requires DLA to reimburse the Military Services for open undelivered orders upon re-assignment of each item. We estimate this reimbursement to total roughly \$686 million over the period, which will require a cash surcharge of \$79 million and an inventory surcharge of \$198 million in FY 2012. As of January 2011, over 78 thousand NSNs have transferred and DLA has reimbursed \$240 million (\$192 million to the Air Force and \$48 million to the Navy). We are projecting a total of \$253 million in reimbursement to the Services in FY 2011 (\$34 million Air Force, \$72 million Navy and \$147 million Army). In FY 2012 we are anticipating completing the reimbursements with \$2 million to the Air Force, \$66 million to the Navy and \$125 million to the Army. Our validation and reimbursement processes are ongoing.

BUDGET HIGHLIGHTS

Workload:

Materiel Supply Chains: Gross Sales at standard unit price is the primary workload measure in the Materiel Supply Chains. Sales are affected by customer demands (force structure, operating tempo, and maintain schedules).

The DLA has adopted a commercial business process called Sales and Operations Planning (S&OP). S&OP strives to ensure that all customer demand and supply chain impacts are recognized and understood. Consistent with this process, we met with the Military Service Representatives to obtain their planning assumptions for Overseas Contingency Operations (OCO) and used

this information and our own current experience to develop projected demand over the period. The S&OP process considers not only the impact of OCO changes on demand and sales but also the impact of Army retrograde and reset, BRAC (primarily CIT), and projected peacetime sales changes.

Workload increases over the President's Budget (PB) 2011 are due primarily to increased support for Iraq and Afghanistan requirements. OCO, included below, are shown separately as a memo entry.

(Dollars in Millions)	FY 2010	FY 2011	FY 2012
Materiel Supply Chains Sales at Standard Unit Price	\$23,141.8	\$22,048.6	\$20,883.0
Overseas Contingency Operations (OCO)	\$5,768.4	\$4,339.0	\$2,704.2

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

Receipts and Issues:

(Lines in Millions)	FY 2010	FY 2011	FY 2012
Lines Received and Shipped	21.2	19.8	20.0

Workload projections for FY 2010 through FY 2012 are based on the S&OP DLA Distribution regression model. Both receipt and issue workload is lower than PB 2011 due to reduction in retrograde projection and transfer of Army Logistics Modernization Program (LMP) workload to reimbursable work. Workload decrease is offset to some extent by the movement of Army Retail workload from reimbursable work to receipt and issue work counts.

Storage:

(Cubic Feet in Millions)	FY 2010	FY 2011	FY 2012
Covered Storage Space	67.4	68.9	68.2
Open Storage Space	50.0	46.1	45.7
Specialized Storage Space	3.8	3.0	3.0

Storage workload is also down over PB 2011 levels and over the period primarily as a result of lower projected retrograde returns.

DLA Disposition Services: Acquisition value and line items are the two workload measures for the DLA Disposition Services.

	FY 2010	FY 2011	FY 2012
Line Items in Millions	3.7	4.2	3.5
Acquisition Value(Dollars in Billions)	28.1	27.1	25.9

Workload line items and acquisition value decrease from FY 2011 to FY 2012. The decrease is due to the force drawdown in Iraq. DLA Disposition Services anticipates a fifty-five percent reduction in the value of the property to be received in Iraq from FY 2011 to FY 2012.

Operational Performance Indicators:

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

- **Perfect Order Fulfillment (POF)** - is a comprehensive measure covering all orders received in the Materiel Supply Chain and incorporating four components: 1) Timeliness: was the order received on time by the customer, 2) Quantity: did the amount shipped match the amount requested by the customer, 3) Quality: were there any complaints from the customer regarding the quality of the product, and 4) Documentation: were there any complaints from the customer regarding the documentation received with the product. A perfect order is one where all four components or conditions are met. Tentative goals for FY 2011 and FY 2012 are 84.95 and 85.40 percent, respectively. As POF is a comprehensive metric that crosses DLA, USTRANSCOM, and COCOMs, the following contributing metrics are used to focus on DLA's contribution towards POF.
- **Material Availability (MA)** - is the immediate availability and release of DLA material, both stocked and under long term contracts/prime vendor arrangements, against received customer orders.
- **Logistics Response Time (LRT)** - is the time between the creation of a wholesale requisition by the customer until submission of a receipt of the requirement(s) by the order's addressee. DLA measures and tracks the average LRT for its customers by number of days.

- Demand Plan Accuracy (DPA) - measures the degree of accuracy of a demand forecast compared to the actual demand.
- Attainment to Plan (ATP) - identifies the percentage of Purchase Requests and Stock Transport Orders (DLA-owned stock redistribution orders) generated through the supply planning process which must meet three criteria: quantity, quality, and timeliness.
- **High Priority Material Release Order (MRO)** - the standard for high priority requisitions shipped on time is 1 day; in the distribution arena, the focus is on continuing to improve the percentage shipped in 1 day. The actual for FY 2010 is 82.3 percent. The goal for FY 2011 and FY 2012 is 85 percent. Excludes dedicated truck shipments based on customer agreements and not the 1-day Time Definite Delivery (TDD) standard for hi-priority MROs. In addition, excludes service initiated BRAC material movement's project codes 3BC (used to track cost, performance date and distribution/redistribution of assets to and from BRAC 2005 affected activities) and OAI (Army project code for Lone Star shipments); and Foreign Military Sales (FMS) shipments.
- **Routine MRO** - the standard to process, pick, pack and ship a routine requisition is three days. The actual for FY 2010 is 82.2 percent. The goal for FY 2011 and FY 2012 is 85 percent. DLA continues pursuing opportunities to reduce costs, by using routine MROs to balance workload and reduce additional costs associated with providing a level of service, which exceeds customer requirements. Excludes: dedicated truck shipments; service initiated BRAC material movement's project codes 3BC and OAI; and FMS shipments.

Unit Cost and Pricing:

Unit cost is a ratio that relates resources to outputs produced. The aim of unit cost is to directly associate total cost to work or output.

Proposed unit cost goals and pricing are as follows for the three supply chains:

Material Supply Chains:

The Material Supply Chains unit cost is calculated by dividing operating costs (the sum of total obligations and credit) plus depreciation expense by gross sales.

Unit Cost	FY 2010	FY 2011	FY 2012
Costs (Dollars in Millions)	23,404.5	22,035.0	20,804.6
Gross Sales (Dollars in Millions)	23,141.8	22,048.6	21,883.0
Unit Cost Goal (per Dollar of Sales)	1.01	1.00	1.00

The Customer Price Change (CPC) is the average change in price from one year to the next that the customer will encounter for the average Material Supply Chains item. 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 Cost Recovery Rate (CRR) is the amount added to the cost of an item to recover costs associated with purchasing and selling supplies to the customer. These costs include operating costs such as payroll, shipping, storage, accounting, and cataloging as well as recovery or return of prior year operating results and any necessary capital or cash surcharges.

The table below displays the DoD approved CPC's and CRR's for FY 2010 and FY 2011 and those proposed for FY 2012, along with the DoD inflators:

Pricing	FY 2010	FY 2011	FY 2012
Customer Price Change	0.9%	2.07%	1.46%
DoD Inflator	1.1%	1.4%	1.7%
Cost Recovery Rate	13.7%	14.4%	13.9%

DLA continues to aggressively pursue cost reduction initiatives intended to mitigate customer cost through the use of tools such as Continuing Process Improvement (CPI), reduction of contracts and/or in-sourcing contract support, and terminating/restructuring initiatives/programs.

Local Recovery Rate (LRR) - Beginning in FY 2011, as part of the BRAC SS&D initiative, DLA will begin charging the Air Force a

composite rate for services provided to each of the Air Force Air Logistics Centers (ALCs). Beginning in FY 2008, when the Air Force SS&D sites were first transferred from Air Force to DLA; operating costs were reimbursed directly from the Air Force ALCs to DLA based on actual costs. The use of an Air Force wide LRR, based on Operating Costs and Gross Sales at Standard, instead of actual cost reimbursement, will align SS&D operations with DLA Business practices and provide Air Force budgeting stability inherent in a fixed annual rate. One composite LRR will be charged at the Air Force SS&D sites at Robins, Tinker, and Hill Air Force bases. Net Operating Result (NOR) gains or losses during execution will be tracked and incorporated into future rates. Projected Operating Costs, Gross Sales at Standard, and LRR for FY 2011 and FY 2012 are as follows:

(Dollars in Millions)	FY 2011	FY 2012
Operating Costs	\$89.309	\$90.087
Gross Sales at Standard	\$1,151.850	\$1,171.432
Composite Local Recovery Rate	7.8%	7.7%

DLA Distribution:

The DLA Distribution Processing unit cost is calculated by dividing processing costs without transportation by workload receipt and issue lines.

	FY 2010	FY 2011	FY 2012
Processing Workload (Lines in Millions)	21.2	19.8	20.0
Processing Cost (Dollars in Millions)	\$601.4	\$568.4	\$538.2
Processing Unit Cost	\$28.37	\$28.71	\$26.91

Costs are down in FY 2011 and FY 2012 commensurate with workload reductions.

Detailed Processing Net Landed Cost Rates are provided below:

	Net Landed Cost Rates		
	FY 2010	FY 2011	FY 2012
Receipt			
Base amount	\$ 25.56	24.50	24.78 per line
Plus			
1-40 lbs.	\$ 0.94	0.99	1.00 per line
41-150 lbs.	\$ 10.92	11.52	11.65 per line
151-2000 lbs.	\$ 24.88	26.25	26.54 per line
2000+ lbs.	\$ 0.0127	0.0134	0.0135 per lb. + 151-2000 rate
Return	\$ 4.57	4.82	4.87 per line additional
Hazardous	\$ 15.33	16.17	16.35 per line additional
Hard-to-Handle	\$ 15.33	16.17	16.35 per line additional
Issue			
Onbase base amount	\$ 11.54	11.06	11.19 per line
Plus			
1-40 lbs.	\$ 0.94	0.99	1.00 per line
41-150 lbs.	\$ 10.92	11.52	11.65 per line
151-2000 lbs.	\$ 24.88	26.25	26.54 per line
2000+ lbs.	\$ 0.0127	0.0134	0.0135 per lb. + 151-2000 rate
Offbase base amount	\$ 16.71	16.01	16.19 per line
1-40 lbs.	\$ 1.82	1.92	1.94 per line
41-150 lbs.	\$ 25.16	26.55	26.85 per line
151-2000 lbs.	\$ 49.82	52.56	53.15 per line
2000+ lbs.	\$ 0.0186	0.0196	0.0198 per lb. + 151-2000 rate
Local Delivery	\$ 1.57	1.66	1.68 per line additional
Hazardous	\$ 15.33	16.17	16.35 per line additional
Hard-to-Handle	\$ 15.33	16.17	16.35 per line additional
Controlled Item	\$ 7.24	7.64	7.73 per line additional
FMS	\$ 7.43	7.84	7.93 per line additional
Out-of-Cycle	\$ 20.92	22.07	22.32 per line additional
Issue from Receiving			
Base amount	\$ 1.46	\$ 1.40	\$ 1.42 per line
Plus			
1-40 lbs.	\$ 0.94	0.99	1.00 per line
41-150 lbs.	\$ 10.92	11.52	11.65 per line
151-2000 lbs.	\$ 24.88	26.25	26.54 per line
2000+ lbs.	\$ 0.0127	0.0134	0.0135 per lb. + 151-2000 rate
Transshipments			
Offbase base amount	\$ 21.98	\$ 21.07	\$ 21.31 per line
Plus			
1-40 lbs.	\$ 1.82	\$ 1.92	\$ 1.94 per line
41-150 lbs.	\$ 25.16	\$ 26.55	\$ 26.85 per line
151-2000 lbs.	\$ 49.82	\$ 52.56	\$ 53.15 per line
2000+ lbs.	\$ 0.0186	\$ 0.0196	\$ 0.0198 per lb. + 151-2000 rate
Mark For	\$ 5.86	\$ 5.62	\$ 5.68 per line
Onbase amount	\$ 11.21	\$ 10.74	\$ 10.86 per line
Material Processing Center	\$ 5.48	\$ 5.64	\$ 5.81 per line
Estimated Transportation	\$ 256,008,000	\$ 253,948,000	\$ 241,367,000
Total Processing Cost	\$ 781,471,000	\$ 781,379,000	\$ 785,161,000
Composite Unit Cost			
(without Transportation)	\$ 25.46	\$ 26.85	\$ 27.15
Workload (Millions of Lines)	21.2 lines	19.8 Lines	20.0 lines

Covered Storage:

	FY 2010	FY 2011	FY 2012
Cubic Feet Millions (Covered Storage)	67.4	68.9	68.2
Storage Costs (Dollars in Millions)	\$270.0	\$330.0	\$384.6
Unit Cost	\$4.00	\$4.79	\$5.64

Storage costs have increased from PB 2011, attributed mainly to additional Sustainment, Restoration and Modernization (SRM) costs.

DLA Disposition Services:

	FY 2010	FY 2011	FY 2012
Cost per Line	\$31.72	\$44.03	\$51.64
Cost per Pound	\$0.06	\$0.08	\$0.08

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

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

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

DLA Disposition Services is able to control cost growth in FY 2011 through in sourcing efforts and transportation costs reduction. The unit cost per line is higher in FY 2012 than FY 2011 due to higher DLA Disposition Services costs. National Security concerns and increased scrutiny from Congress has resulted in identification and correction of critical weaknesses in DLA Disposition Services sales program. DLA Disposition Services restructured their processes to improve controls and ensure that sensitive material is not inappropriately sold; these

new processes cost more. Increased costs are for Controlled Property Centers, additional demilitarization and de-manufacturing. Additional cost drivers are the accelerated implementation of the Reutilization Business Integration (RBI) Program, increase in the number of Property Disposal, Environmental Specialist interns, and the increased Inter-Service Support Agreement costs.

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

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

DLA Disposition Services - bills are formulated with an Activity Based Costing model that uses disposal workload to allocate costs to customers based on services provided. Customer SLBs using this model are projected below (\$ in Millions):

Customer	FY 2010	FY 2011	FY 2012
Army	108.651	110.935	94.837
Navy	55.535	56.701	48.477
Air Force	41.043	41.907	35.818
DLA	36.216	36.977	31.605
Total	241.445	246.520	210.737

DLA Logistics Information Service - Service Level Billing costs are allocated based on customer's utilization of DLA Logistics Information Service products and services. Projections are below (\$ in Millions):

Customer	FY 2010	FY 2011	FY 2012
Army	44.503	39.699	37.988
Navy	45.968	46.645	45.106
Air Force	39.677	39.323	37.400
DLA	51.300	48.642	49.655
Total	181.448	174.309	170.149

DLA Transaction Services - the cost of DLA Transaction Services core services is divided equally among Military Services and DLA. Projections are in the table below (\$ in Millions):

Customer	FY 2010	FY 2011	FY 2012
Army	12.795	16.376	13.241
Navy	12.795	16.376	13.241
Air Force	12.795	16.376	13.241
DLA	12.795	16.376	13.241
Total	51.180	65.504	52.964

ANALYSIS OF BUDGET STATEMENTS:

Supply Chain Management (SCM) Statement of Revenue and Expenses:

Revenue and expenses are budgeted to be higher than PB 2011 due to higher Overseas Contingency Operation (OCO) Operations New Dawn (OND). Workload is forecasted to decrease each year from the FY 2010 baseline level. Revenue is higher in FY 2011 due to cash surcharge and Accumulated Operating Results (AOR) recovery. The AOR is projected to be \$.9 million by FY 2012.

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

(Dollars in Millions)	FY 2010	FY 2011	FY 2012
Revenue	24,913.4	24,413.2	23,180.0
Expenses	24,445.6	24,590.0	23,270.8
Direct Appropriation	38.6	39.4	31.6
Cash Surcharge	0.0	0.0	-79.7
Inventory Surcharge	-9.8	-160.6	-194.1
Capital Surcharge	58.3	130.7	70.1
Supplemental	86.4	84.5	90.0
Net Operating Results	641.3	-82.8	-172.9
Prior Year Accumulated Operating Results	-21.7	619.7	536.9
Other Changes Affecting AOR	0.0	0.0	-364.8
Ending Accumulated Operating Results	619.7	536.9	0.9

CASH PROJECTIONS

The -\$461.5 million in net outlays for FY 2010 is primarily the result of higher sales. The DLA Supply Chain Management received \$125.0 million in appropriated funding and a transfer in of \$40.0 million from the Air Force (Transportation Command) to purchase and position inventory close to U.S. combat forces.

The \$531.3 million in net outlays for FY 2011 is due to a Customer Price Change correction, the timing of disbursements for the Mine Resistant Ambush Protected (MRAP) and MRAP All-Terrain Vehicle (M-ATV) items for which cash was received in FY 2010, disbursing for CIT, and disbursing for Air Force BRAC, and SS&D Inventory Capitalization. This submission includes a request for \$123.9 million in appropriated funding. Also included are an Inventory Investment Surcharge and a Cash Surcharge.

The \$506.2 million in net outlays for FY 2012 is primarily due to disbursing for CIT and Air Force BRAC SS&D Inventory Capitalization, the timing of disbursements for the MRAP and M-ATV items for which cash was received in FY 2011, and the return of AOR to customers. This submission includes a request for \$121.6 million in appropriated funding. Also included are an Inventory Investment Surcharge and a Cash Surcharge.

DLA Supply Chain Management Summary

Dollars in Millions	FY 2010	FY 2011	FY 2012
Disbursements	24,832.0	24,920.1	23,600.6
Collections	25,128.5	24,264.9	22,972.8
Appropriations	38.6	39.4	31.6
Supplementals	86.4	84.5	90.0
Transfer In	40.0	0.0	0.0
Net Outlays	-461.5	531.3	506.2

PERSONNEL PROFILE

Changes to the workforce include: additional BRAC responsibilities by becoming the single procurement management provider for new DLRs; taking on new mission from the military services of performing consumer level (retail) SS&D directly for industrial depot maintenance production line customers; assumption of new distribution functions from the Navy; BRAC consolidations; converting contractors to civilian personnel; and workload changes. DLA is utilizing workload and workforce re-distribution as well as

term employees whenever practical to be able to better respond to workload fluctuations. This budget also estimates that FTEs will remain fairly constant to implement the Department's target goals for Defense Agency manpower efficiencies, to include labor and non-labor reductions.

	FY 2010	FY 2011	FY 2012
Civilian End Strength	24,015	24,992	24,789
Civilian Full Time Equivalents (FTEs)	23,625	24,640	24,640
Military End Strength/FTEs	355	349	349

CAPITAL BUDGET

Dollars in Millions	FY 2010	FY 2011	FY 2012
Equipment (non-ADP)	12.8	29.7	21.7
Equipment (ADP)	23.4	26.2	27.9
Software	135.9	127.3	65.1
Minor Construction	16.9	16.7	14.4
Total	189.0	200.0	129.1

The capital budget submission reflects the implementation of the new business area structure; however, separate project visibility is still maintained in the Fund 9 exhibits.

The capital budget funds investments that exceed the \$250 thousand expense/investment criteria for the Automated Data Processing Equipment (ADPE), non-ADPE, and software development category and \$100 thousand for the minor construction category.

The FY 2011 and FY 2012 capital budget estimates indicate a significant decrease from FY 2011 to FY 2012, \$193.5 million to \$129.1 million, due primarily to deployment of Enterprise Procurement (eProcurement) in FY 2011.

DLA will continue to expand the already deployed Enterprise Resource Planning (ERP) platform called Enterprise Business System (EBS) through enhanced capabilities provided by the Integrated Data Environment (IDE), Reutilization Business Initiative (RBI) and eProcurement. Also included in the software development category are funding for the Common Food Management System (CFMS) and critical system change requests and other enhancement initiatives to EBS, such as real property.

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

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

Direct appropriations FY 2010 through FY 2012 included in this submission are detailed in the following table and narrative.

DLA SCM Appropriation: (Dollars in Millions)	FY 2010 Enacted	FY 2011 Request	FY 2012 Request
Reutilization, Transfer and Disposal Costs	37.8	38.6	31.6
Defense Finance and Accounting Systems Costs	0.8	0.8	0.0
Total Appropriations	38.6	39.4	31.6
Supplemental:			
Overseas Contingency Operations (OCO)(Disposition Services)	40.1	41.3	41.6
TCSP Kuwait OCO	11.0	11.0	11.1
DDKS Kuwait OCO	25.6	26.1	26.5
Theater Distribution	0.0	0.0	8.0
IT Communications	9.7	6.1	2.8
Total Supplemental	86.4	84.5	90.0
Total DLA SCM	125.0	123.9	121.6

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

DFAS Systems Costs - To improve visibility to DFAS customers of the costs of DFAS systems, DFAS removed these costs from their rates beginning in FY 2004 and now assesses these costs directly to the customer benefiting from them. This category covers the increase in the DLA overall bill based on this DFAS billing change.

OVERSEAS CONTINGENCY OPERATIONS (OCO) FY 2011 SUPPLEMENTAL

REQUEST - OCO request provided in FY 2010 through FY 2012 included in this budget estimate submission are detailed in the following charts and narrative:

(Dollars in Millions)	Operation	FY 2010 Enacted	FY 2011 Request	FY 2012 Request
A.	Subactivity Group - Operations - Consolidated Shipping Point, Kuwait			
5.8 Theater Distribution	OEF	6.600	6.586	6.678
	OIF/OND	4.400	4.390	4.452
	Total	11.000	10.976	11.130

DLA performs distribution functions at the Theater Consolidation and Shipping Point (TCSP) in Kuwait for United States Central Command (USCENTCOM). Locating theater distribution functions with DLA Distribution Kuwait has increased the distribution systems efficiency and consolidated functions. The center serves as a central receiving and shipping point for inbound cargo shipments and trans-loading containers or palletized shipments for onward movements to units located in Kuwait, Iraq, and Afghanistan while improving in transit visibility.

Impact if not funded: The DWCF will bill the Military Services for the full cost of this operation in FY 2012 because it is a direct reimbursable cost. The Military Services have no funding programmed to reimburse DLA. As a result, the Military Services, particularly the Army and Marines, will have to decrement other programs to pay this bill that may impact readiness. If the Military Services do not pay the FY 2012 bill, the Defense Wide Working Capital Fund (DWWCF) cash corpus will suffer a loss in FY 2012 that cannot be recouped until the bill is paid in FY 2012 or later.

(Dollars in Millions)	Operation	FY 2010 Enacted	FY 2011 Request	FY 2012 Request	
B.	Subactivity Group - Operations - DLA Distribution Kuwait				
	5.8 Theater Distribution	OEF	15.382	15.659	15.878
		OIF/OND	10.254	10.439	10.585
	Total	25.636	26.098	26.463	

DLA Distribution Kuwait provides for logistical support, including the receipt, storage and issue of repair parts and consumable supplies, to Military Service customers operating in Southwest Asia (SWA). By positioning materiel forward, customer wait time is decreased and DoD transportation costs are significantly reduced by the use of surface versus air shipment mode. However, operating this distribution center is 50 percent more expensive than other distribution depots to operate due to the geographic location and hostile operating environment. The requested funds are required to recoup these increased wartime costs and prevent Working Capital Fund losses. The average unit cost rate per transaction for all other DLA depots is \$19.79 compared to \$40.25 for DLA Distribution Kuwait, a \$20.46 per line difference. The requested funds are required to recoup these increased wartime costs and prevent Working Capital Fund losses. The DLA Distribution Kuwait projects it will process 1.293 million transactions in FY 2012 at an additional cost of \$20.46 per transaction resulting in an increased cost of operations of \$26.463 million.

Impact if not funded: The DWCF will sustain a loss in the year of execution that would have to be recovered in future year's DLA Distribution rates. Higher rates for distribution services may adversely impact Military Service programs and readiness accounts. In addition, the DWCF cash corpus will suffer a loss in FY 2012 that cannot be recouped until price increases become effective in future years.

(Dollars in Millions)	Operation	FY 2010 Enacted	FY 2011 Request	FY 2012 Request
C.	Subactivity Group - Operations - DLA Distribution Afghanistan			
	5.8 Theater Distribution	OEF		8.000
		OIF/OND		
	Total			8.000

DLA Distribution Afghanistan supports Secretary of Defense (SECDEF) approved Request For Forces (RFF) dated 25 Feb 10 directing DLA to establish a deployable depot capability in Kandahar by mid-summer 2010. Presently, DLA Distribution distributes Class II, IIIp, IV and IX from distribution centers in Kuwait, Germany, CONUS, and from Vendors across the US and Europe. Additionally, DLA Troop Support has established a Prime Vendor Contract to receive store and issue CL IV in Bagram and Kandahar for a cost of approximately \$24 million per year. Objectives of the facility are: 1) provide distribution support to the OEF Theater per guidance issued by USCENTCOM and DLA, 2) relieve DLA Troop Support of the Prime Vendor distribution mission of Class IV; and 3) reduce customer wait times for surface intensive items like Class IV, IIIp, and some Class II by up to 50 days. Criteria for success at acceptable risk are related to intra-theater distribution capability that allows for centralized receive/stow/issue capability at a single hub in Afghanistan.

The requested funds are required to recoup increased wartime costs and prevent Working Capital Fund losses.

Impact if not funded: The primary risk is poor performance in surface intensive items such as class IV and IIIp. Surface LOCs are congested and at risk for enemy attack. USCENTCOM and TRANSCOM are already mitigating through the use of Northern Distribution Network. Longer surface times are mitigated currently via the Prime Vendor contract, but DLA Troop Support has assessed that option to be non-sustainable beyond FY 2010.

The DWCF will sustain a loss in the year of execution which will have to be recovered in future year's Distribution rates. Higher rates for distribution services may adversely impact Military Service programs and readiness accounts. In addition, the DWCF cash corpus will suffer a loss in FY 2012 that cannot be recouped until price increases become effective in future years.

(Dollars in Millions)		Operation	FY 2010 Enacted	FY 2011 Request	FY 2012 Request
D.	Subactivity Group - Operations - DLA Disposition Services				
	5.10 DLA Disposition Ops	OEF	9.222	12.390	16.640
		OIF/OND	30.878	28.910	24.960
		Total	40.100	41.300	41.600

The DLA Disposition Services is responsible for the reuse, reutilization, and disposal of excess and surplus property within the DoD. The DLA Disposition Services is experiencing operational and financial impacts from support to OEF/OND. Of critical importance is providing support to the warfighter at forward deployed locations where timely and accurate logistical support can affect the outcome of military operations. The DLA Disposition Services is providing support from six fully operational DLA Disposition Services Offices in Kuwait, Afghanistan and Iraq, as well as, unmanned pickup locations, primarily via contract with government oversight. From these locations, DLA Disposition Services provides advance disposal advice and on-the-ground expertise throughout Iraq to support the disposal mission.

Heavy involvement in the retrograde of Military Service-owned property to CONUS is also expected. DLA Disposition Services is currently receiving an average of 15 million pounds of scrap per month in the Area Of Responsibility (AOR). They need to ramp up to have the capability to receive an additional 40 million pounds, the equivalent of five infantry battalions. This request includes resources for continuing operations at the six established DRMOs, and planned additional DRMO in Afghanistan in FY 2010 necessary to support the drawdown of the OIF/OND mission and is needed to finance DLA Disposition Services Offices operations in Southwest Asia (SWA). In early FY 2011, DLA Disposition Services Offices will begin operating three additional DLA Disposition Services Offices in Afghanistan. The supplemental is needed to finance DLA Disposition Services Offices operations in SWA, including operations covered by contract as well as the government presence necessary to provide contract oversight.

The \$41.600 million request funds the following (\$ in millions):

Continuing Government Labor/Travel:	\$16.310
Contractor (TCN Labor):	\$8.718
Equipment/Maintenance:	\$13.600
Supplies/Transportation:	\$2.972

Impact if not funded: The DWCF will sustain a loss in the year of execution which will have to be recovered in future years' Service Level Bills (SLB) to the Military Services. Higher SLBs for DLA Disposition Services may adversely impact Military Service programs and readiness accounts. In addition, the DWCF cash corpus will suffer a loss in FY 2011 that cannot be recouped until the increased SLB becomes effective.

(Dollars in Millions)		Operation	FY 2010 Enacted	FY 2011 Request	FY 2012 Request
E.	Subactivity Group - Operations - Logistics Communications				
	5.11 Other - DLA Supply Chain Management	OEF	9.711	6.100	3.035
		OIF/OND			
		Total	9.711	6.100	3.035

DLA continues to support operations in SWA through the establishment and extension of telecom and infrastructure capabilities to support operations in OEF:

Afghanistan Communication expansion supports DLA forward presence in Afghanistan. DLA in Afghanistan has no land line network/telecom capability or infrastructure in place. Current communications support is fragmented and equipment must be brought in as situations require.

DLA will establish network hub sites at Bagram, Kandahar, Kabul, and Camp Leatherneck and extend Fusion Center capability to SWA for improved situational awareness and decision making capability. The requirement includes routers, switches, firewalls, backup generators, and other associated equipment, as well as labor and travel costs for installation of this equipment. In FY 2010, the contract to design the network hub site was successfully awarded and work has begun. The FY 2011 requirement to complete the infrastructure build is \$2.993 million. In FY 2012, the requirement will include sustainment of the hub infrastructure and DISA hosting/circuit recurring charges projected at \$500 thousand per annum.

Impact if not funded: DLA Central DSTs, DLA Energy, DLA Distribution, DLA Troop Support, and DLA Disposition Services will essentially be without adequate telecommunications/computer support in OEF.

Persian Gulf Communication expansion and AIS Support for Distribution Services. In addition to Afghanistan, DLA performs distribution functions at the DLA Distribution Kuwait for USCENTCOM. DLA Distribution Kuwait is a contractor-operated site. That contract has been re-competed and in the future will require use of the DLA Distribution Support System (DSS) for improved asset visibility within USCENTCOM. While there is a cost associated with co-locating DSS with DLA Distribution Kuwait, co-locating theater distribution functions with DLA Distribution Kuwait has increased the efficiency of the distribution system and has consolidated various logistical

functions. DLA's mission requirement for AIS support and distribution services in hub sites at Camp Arifjan and Bahrain and sparing of radio communications equipment components are \$765 thousand in FY 2011.

The FY 2011 request includes recurring costs only for DSS DISA processing based on estimated workload and recurrent monthly circuit costs commensurate with expanded operations in Afghanistan. This represents a new mission not previously funded or staffed.

Impact if not funded: the cost of installing DSS at DLA Distribution Kuwait was not included in budget projections and has not been included in the DLA Distribution rates. The DLA Distribution and the DWCF cash corpus will not recoup the costs of the installation until the costs are included in future year rates. In addition, the DLA Director has determined that it is in the best interest of the government to contractually require the DLA Distribution Kuwait service provider to use DSS. The DLA Director has also directed DLA to establish a presence in Afghanistan. In addition, Satellite Communication (SATCOM) Systems is required in Afghanistan as there are no established DISA land network circuits available to support DLA requirements.

Satellite Communication Systems include communication support to DLA organizations operating at forward or exercise locations in Europe, Africa and South West and Central Asia. This support includes local network services, telephony, and wide-area connectivity using DISA contracted SATCOM systems. Due to the austere locations where DLA entities are located, there are no DISA land-line network circuits available to establish a land-based network, necessitating the need for satellite-based systems. The FY 2011 and FY 2012 request supports peripheral hardware and/or maintenance and recurring costs of systems which includes expanded operations in Afghanistan, Central Asia and potentially Africa. Costs include \$1,284 thousand for recurring service fees and support labor.

Impact if not funded: Successful execution of DLA capabilities in support of the OCO mission is critical to the Warfighter. Without the additional funding described above, DLA will be forced to curtail support to non-OCO missions, directly impacting European, CONUS, and/or Pacific operations, for example.

Afghanistan IT Contractor Support

DLA Information Operations Europe and Africa/Central provides local IT and telecommunication support to DLA organizations operating in Afghanistan. This support includes local network services, telephony, and troubleshooting of wide-area connectivity problems.

The FY 2011 request is for three contractor positions to provide touch labor IT support for DLA in Afghanistan. The cost for the three contractor positions is \$1,068 thousand. For FY 2012, we anticipate that the IT contractor requirement will reduce by one due to stabilization of infrastructure (\$740 thousand).

Impact if not funded: IT services are critical to the successful execution of DLA capabilities in support of the OCO mission. Without the additional funding described above, DLA Information Operations will be forced to curtail support to non-OCO missions in order to support the unfunded forward mission, directly impacting European, SWA (Persian Gulf) and United States African Command (AFRICOM) operations.

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Chain Management Activity Group
 Fiscal Year (FY) 2012 President's Budget
 February 2011
 FY 2010
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
DLA Troop Support - CLOTHING & TEXTILES	1,567.5	1,772.7	2,127.6	2,195.2	0.0	0.0	2,195.2	0.0	2,195.2
DLA Troop Support - MEDICAL	256.2	4,491.3	4,679.9	4,620.4	0.0	0.0	4,620.4	0.0	4,620.4
DLA Troop Support - SUBSISTENCE	26.3	4,388.3	4,712.3	4,579.9	0.0	0.0	4,579.9	0.0	4,579.9
DLA Troop Support - CONSTRUCTION & EQUIPMENT	511.3	2,900.0	3,231.8	3,049.4	0.0	0.0	3,049.4	0.0	3,049.4
DLA AVIATION	6,571.7	3,324.2	4,354.3	4,331.7	0.0	0.0	4,331.7	0.0	4,331.7
DLA LAND	2,031.0	1,689.7	2,087.3	2,377.0	0.0	0.0	2,377.0	0.0	2,377.0
DLA MARITIME	2,569.4	1,398.6	1,743.7	1,636.7	0.0	0.0	1,636.7	0.0	1,636.7
DLA LOGISTICS INFORMATION SERVICE	0.0	0.0	0.0	179.6	0.0	0.0	179.6	0.0	179.6
DLA TRANSACTION SERVICES	0.0	0.0	0.0	48.4	0.0	0.0	48.4	0.0	48.4
MANAGEMENT HEADQUARTERS	0.0	0.0	0.0	148.1	0.0	0.0	148.1	0.0	148.1
ENTERPRISE OPERATIONS	0.0	0.0	0.0	302.9	0.0	0.0	302.9	0.0	302.9
ENTERPRISE INFORMATION TECH.	0.0	0.0	0.0	445.9	0.0	0.0	445.9	0.0	445.9
CENTRAL FUND	0.0	0.0	0.0	616.9	0.0	0.0	616.9	0.0	616.9
DLA MATERIEL SUPPLY CHAIN	13,533.3	19,964.7	22,936.9	24,532.2	0.0	0.0	24,532.2	0.0	24,532.2
DLA DISTRIBUTION	0.0	0.0	0.0	1,473.6	0.0	0.0	1,473.6	0.0	1,473.6
DLA DISPOSITION SERVICES	0.0	0.0	0.0	370.3	0.0	0.0	370.3	0.0	370.3
TOTAL SUPPLY CHAIN MANAGEMENT	13,533.3	19,964.7	22,936.9	26,376.1	0.0	0.0	26,376.1	0.0	26,376.1

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Chain Management Activity Group
 Fiscal Year (FY) 2012 President's Budget
 February 2011
 FY 2011
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
DLA Troop Support - CLOTHING & TEXTILES	1,617.7	2,024.7	2,450.8	2,350.1	0.0	0.0	2,350.1	366.2	2,716.3
DLA Troop Support - MEDICAL	254.2	4,424.6	4,592.8	4,630.4	0.0	0.0	4,630.4	738.5	5,368.9
DLA Troop Support - SUBSISTENCE	33.2	3,929.6	4,197.9	4,033.8	0.0	0.0	4,033.8	655.9	4,689.7
DLA Troop Support - CONSTRUCTION & EQUIPMENT	519.2	2,330.7	2,666.7	2,544.8	0.0	0.0	2,544.8	397.0	2,941.8
DLA AVIATION	6,570.2	3,311.7	4,337.9	4,126.6	0.0	0.0	4,126.6	586.6	4,713.2
DLA LAND	2,395.9	1,555.1	1,940.5	2,164.1	0.0	0.0	2,164.1	270.6	2,434.7
DLA MARITIME	2,512.1	1,216.7	1,655.7	1,672.0	0.0	0.0	1,672.0	219.7	1,891.7
DLA LOGISTICS INFORMATION SERVICE	0.0	0.0	0.0	164.4	0.0	0.0	164.4	0.0	164.4
DLA TRANSACTION SERVICES	0.0	0.0	0.0	54.8	0.0	0.0	54.8	0.0	54.8
MANAGEMENT HEADQUARTERS	0.0	0.0	0.0	167.4	0.0	0.0	167.4	0.0	167.4
ENTERPRISE OPERATIONS	0.0	0.0	0.0	809.0	0.0	0.0	809.0	0.0	809.0
ENTERPRISE INFORMATION TECH.	0.0	0.0	0.0	150.4	0.0	0.0	150.4	0.0	150.4
CENTRAL FUND	0.0	0.0	0.0	610.4	0.0	0.0	610.4	0.0	610.4
DLA MATERIEL SUPPLY CHAIN	13,902.5	18,793.3	21,842.4	23,478.4	0.0	0.0	23,478.4	3,234.5	26,712.9
DLA DISTRIBUTION	0.0	0.0	0.0	1,541.0	0.0	0.0	1,541.0	0.0	1,541.0
DLA DISPOSITION SERVICES	0.0	0.0	0.0	393.2	0.0	0.0	393.2	0.0	393.2
TOTAL SUPPLY CHAIN MANAGEMENT	13,902.5	18,793.3	21,842.4	25,412.6	0.0	0.0	25,412.6	3,234.5	28,647.1

26,392.892
25,412.559

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Fiscal Year (FY) 2012 President's Budget
February 2011
FY 2012
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
DLA Troop Support - CLOTHING & TEXTILES	1,651.2	1,916.8	2,243.6	2,231.4	0.0	0.0	2,231.4	336.1	2,567.5
DLA Troop Support - MEDICAL	244.6	4,456.3	4,696.9	4,673.3	0.0	0.0	4,673.3	743.7	5,417.0
DLA Troop Support - SUBSISTENCE	33.1	3,072.2	3,325.2	3,172.2	0.0	0.0	3,172.2	512.1	3,684.3
DLA Troop Support - CONSTRUCTION & EQUIPMENT	513.9	2,231.8	2,516.6	2,389.1	0.0	0.0	2,389.1	376.3	2,765.4
DLA AVIATION	6,567.3	3,287.8	4,235.2	4,074.1	0.0	0.0	4,074.1	507.4	4,581.5
DLA LAND	2,476.2	1,478.9	1,949.6	1,760.0	0.0	0.0	1,760.0	247.9	2,007.9
DLA MARITIME	2,530.4	1,212.1	1,710.3	1,633.2	0.0	0.0	1,633.2	203.3	1,836.5
DLA LOGISTICS INFORMATION SERVICE	0.0	0.0	0.0	164.6	0.0	0.0	164.6	0.0	164.6
DLA TRANSACTION SERVICES	0.0	0.0	0.0	47.8	0.0	0.0	47.8	0.0	47.8
MANAGEMENT HEADQUARTERS	0.0	0.0	0.0	163.9	0.0	0.0	163.9	0.0	163.9
ENTERPRISE OPERATIONS	0.0	0.0	0.0	915.2	0.0	0.0	915.2	0.0	915.2
ENTERPRISE INFORMATION TECH.	0.0	0.0	0.0	155.6	0.0	0.0	155.6	0.0	155.6
CENTRAL FUND	0.0	0.0	0.0	380.2	0.0	0.0	380.2	0.0	380.2
DLA MATERIEL SUPPLY CHAIN	14,016.7	17,655.8	20,677.4	21,760.6	0.0	0.0	21,760.6	2,926.8	24,687.4
DLA DISTRIBUTION	0.0	0.0	0.0	1,410.9	0.0	0.0	1,410.9	0.0	1,410.9
DLA DISPOSITION SERVICES	0.0	0.0	0.0	393.0	0.0	0.0	393.0	0.0	393.0
TOTAL SUPPLY CHAIN MANAGEMENT	14,016.7	17,655.8	20,677.4	23,564.5	0.0	0.0	23,564.5	2,926.8	26,491.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Fiscal Year (FY) 2012 President's Budget
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FY 2010 Inventory Status
(\$ in millions)

Materiel Supply Chains	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	12,771.203	714.400	8,026.994	4,029.809
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-0.087	-157.000	-52.242	209.155
b. Price Change Amount (Memo)	0.000	0.000	0.000	0.000
c. Inventory Reclassified and Repriced	12,771.116	557.400	7,974.752	4,238.964
RECEIPTS AT COST	19,856.462	418.100	19,438.362	0.000
GROSS SALES AT COST	-20,046.603	-454.400	-19,592.203	0.000
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	1,557.800	0.000	1,221.400	336.400
Transfer to other DLA ICPs	0.000	0.000	0.000	0.000
Transfer from other DLA ICPs	42.100	0.000	42.100	0.000
Transfers from Military Services	1,532.900	0.000	1,196.500	336.400
b. Returns from Customers for Credit	133.906	0.028	133.878	0.000
c. Returns for Customers without Credit	545.239	5.587	143.294	396.358
d. Returns to Suppliers (-)	0.000	0.000	0.000	0.000
e. Transfers to Property Disposal (-)	-573.182	-2.200	0.000	-570.982
f. Issues/Receipts without Reimbursement (+/-)	0.000	0.000	0.000	0.000
g. Other (List and Explain)	-291.054	-87.000	-618.367	414.313
h. Total Adjustments	1,389.909	-83.585	897.405	576.089
INVENTORY - End of Period (EOP)	13,970.884	437.515	8,718.316	4,815.053
INVENTORY ON ORDER EOP	7,667.465	431.200	7,236.265	0.000

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Fiscal Year (FY) 2012 President's Budget
February 2011
FY 2011 Inventory Status
(\$ in millions)

Materiel Supply Chains	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	13,970.835	437.515	8,718.267	4,815.053
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.000	0.000	-151.000	151.000
b. Price Change Amount (Memo)	0.000	0.000	0.000	0.000
c. Inventory Reclassified and Repriced	13,970.835	437.515	8,567.267	4,966.053
RECEIPTS AT COST	19,534.312	389.700	19,144.612	0.000
GROSS SALES AT COST	-19,222.323	-392.000	-18,830.323	0.000
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	426.500	0.000	231.500	195.000
Transfer to other DLA ICPs	0.000	0.000	0.000	0.000
Transfer from other DLA ICPs	0.000	0.000	0.000	0.000
Transfers from Military Services	426.500	0.000	231.500	195.000
b. Returns from Customers for Credit	135.236	0.000	135.236	0.000
c. Returns for Customers without Credit	390.739	6.000	20.039	364.700
d. Returns to Suppliers (-)	-3.000	0.000	-3.000	0.000
e. Transfers to Property Disposal (-)	-835.800	-3.000	0.000	-832.800
f. Issues/Receipts without Reimbursement (+/-)	-2.000	0.000	-1.000	-1.000
g. Other (List and Explain)	-44.821	8.985	-78.306	24.500
h. Total Adjustments	66.854	11.985	304.469	-249.600
INVENTORY - End of Period (EOP)	14,349.678	447.200	9,186.025	4,716.453
INVENTORY ON ORDER EOP	7,518.200	427.100	7,091.100	0.000

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Fiscal Year (FY) 2012 President's Budget
February 2011
FY 2012 Inventory Status
(\$ in millions)

Materiel Supply Chains	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	14,349.678	447.200	9,186.025	4,716.453
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.000	0.000	-160.000	160.000
b. Price Change Amount (Memo)	0.000	0.000	0.000	0.000
c. Inventory Reclassified and Repriced	14,349.678	447.200	9,026.025	4,876.453
RECEIPTS AT COST	17,919.963	311.100	17,608.863	0.000
GROSS SALES AT COST	-17,870.620	-307.900	-17,562.720	0.000
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	396.500	0.000	226.500	170.000
Transfer to other DLA ICPs	0.000	0.000	0.000	0.000
Transfer from other DLA ICPs	0.000	0.000	0.000	0.000
Transfers from Military Services	396.500	0.000	226.500	170.000
b. Returns from Customers for Credit	135.028	0.000	135.028	0.000
c. Returns for Customers without Credit	350.700	0.000	20.000	330.700
d. Returns to Suppliers (-)	0.000	0.000	0.000	0.000
e. Transfers to Property Disposal (-)	-771.900	-1.400	0.000	-770.500
f. Issues/Receipts without Reimbursement (+/-)	-2.000	0.000	-1.000	-1.000
g. Other (List and Explain)	-41.633	0.000	-23.190	-18.443
h. Total Adjustments	66.695	-1.400	357.338	-289.243
INVENTORY - End of Period (EOP)	14,465.716	449.000	9,429.506	4,587.210
INVENTORY ON ORDER EOP	7,411.219	424.400	6,986.819	0.000

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Mangement Activity Group
Fiscal Year (FY) 2012 President's Budget
February 2011
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Supply Chain Management Total	FY 2010	FY 2011	FY 2012
1. Net Sales at Cost	16,539.6	19,266.6	18,336.2
2. Less: Materiel Inflation Adjustment	198.3	269.7	349.6
3. Revised Net Sales @ Cost	16,341.3	18,996.8	17,986.5
4. Surcharge (\$)	2,265.5	2,780.1	2,546.9
5. Change to Customers			
a. Previous Year's Surcharge (%)	14.0%	13.7%	14.4%
b. This year's Surcharge and material inflation divided by line 3 above (\$)	13.7%	14.4%	16.1%
c. Percent Change to Customer	0.9%	2.07%	1.46%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2012 President's Budget
February 2011
Material Supply Chains
FY 2010
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	557.4	434.5	122.9
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	418.1	418.1	0.0
(1). Purchases	412.5	412.5	0.0
(2). Returns from customers	5.6	5.6	0.0
b. Issues @ cost	-454.4	-454.4	0.0
(1). Sales	-452.2	-452.2	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	-2.2	-2.2	0.0
c. Adjustments @ cost	-83.6	14.0	-97.6
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	3.4	3.4	0.0
(3.) Other	-87.0	10.6	-97.6
5. Inventory EOP	437.5	412.2	25.3
1. Storage	2.6	2.4	0.2
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	2.6	2.4	0.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	412.5	412.5	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	412.5	412.5	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	412.5	412.5	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2012 President's Budget
February 2011
Material Supply Chains
FY 2011
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	437.5	412.2	25.3
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	389.7	389.7	0.0
(1). Purchases	383.7	383.7	0.0
(2). Returns from customers	6.0	6.0	0.0
b. Issues @ cost	-392.0	-392.0	0.0
(1). Sales	-389.0	-389.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	-3.0	-3.0	0.0
c. Adjustments @ cost	12.0	12.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	3.0	3.0	0.0
(3.) Other	9.0	9.0	0.0
5. Inventory EOP	447.2	421.9	25.3
1. Storage	3.7	3.5	0.2
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	3.7	3.5	0.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	383.7	383.7	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	383.7	383.7	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	383.7	383.7	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Materiel Supply Chains
Fiscal Year (FY) 2012 President's Budget
February 2011
War Reserve Material Stockpile
Material Supply Chains
FY 2012
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	447.2	421.9	25.3
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	311.1	311.1	0.0
(1). Purchases	311.1	311.1	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	-307.9	-307.9	0.0
(1). Sales	-306.5	-306.5	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	-1.4	-1.4	0.0
c. Adjustments @ cost	-1.4	-1.4	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	-1.4	-1.4	0.0
(3.) Other	0.0	0.0	0.0
5. Inventory EOP	449.0	423.7	25.3
1. Storage	3.7	3.5	0.2
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	3.7	3.5	0.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	311.1	311.1	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	311.1	311.1	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	311.1	311.1	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Fiscal Year (FY) 2012 President's Budget
February 2011
(Dollars in Millions)

Activity: Total Supply Chain Management	FY 2010			FY 2011			FY 2012		
	Unit Cost	Number of Units	Total Cost	Unit Cost	Number of Units	Total Cost	Unit Cost	Number of Units	Total Cost
Supply Chain Management Operating Budget:									
Cost per Dollar of Sales - Wholesale	\$ 1.01	23,141.8	23,404.5	\$ 1.00	22,048.6	22,035.030	\$ 1.00	20,883.0	20,804.642
Total Processing Outputs	\$ 41.35	7.3	302.8	\$ 35.68	6.0	214.665	\$ 28.88	6.4	185.720
Storage	\$ 1.64	88.1	144.1	\$ 2.40	85.1	204.438	\$ 3.09	84.3	260.624
Total Lines	\$ 31.72	4.2	132.7	\$ 44.00	4.8	209.495	\$ 51.64	4.0	208.615
Total Pounds	\$ 0.06	1,895.6	123.1	\$ 0.08	1,840.4	145.582	\$ 0.08	1,819.1	144.970
Supply Chain Management Direct Reimbursables/Other:									
Materiel Supply Chains			806.7			942.578			622.380
DLA Distribution			466.8			820.856			745.763
DLA Disposition Services			132.7			88.067			91.647
DLA Corporate			(24.3)			122.142			109.394
DLA Installation Support			84.6			119.527			129.909
DLA Information Operations			338.6			103.988			110.533
DLA Transaction Services			52.6			59.764			53.050
DLA Logistics Information Service			142.5			151.408			157.159
DLA Central Fund			549.9			539.714			289.322
Supply Chain Management Operating Cost:									
			26,657.3			25,757.254			23,913.728
Less Credit Returns (not allowances)			133.9			135.236			135.028
Less Depreciation			147.4			209.459			214.162
Supply Chain Management Operating Obligation Authority			26,376.1			25,412.559			23,564.538
Total Operating Costs									
			26,657.3			25,757.254			23,913.728
Less Credit Returns (not allowances)			133.9			135.236			135.028
Less Depreciation			147.4			209.459			214.162
Total Operating Obligational Authority			26,376.078			25,412.559			23,564.538

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2012 President's Budget
February 2011
Total Supply Chain Management
(Dollars in Millions)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
1. New Orders			
a. Orders from DoD Components	21,701.3	20,638.8	19,715.7
Army	10,900.6	10,496.8	9,809.8
Navy	3,871.1	3,221.6	3,113.4
Air Force	4,223.8	3,917.0	3,819.7
Marine Corps	1,200.9	1,569.7	1,542.4
Other	1,505.0	1,433.6	1,430.5
DECA	0.0	0.0	0.0
b. Orders from Other Activity Groups	815.7	827.7	885.5
c. Total DoD	22,516.9	21,466.5	20,601.2
d. Other Orders:	1,846.2	1,435.9	1,397.1
Other Federal Agencies	673.7	397.6	385.8
Non-Federal Agencies	279.6	283.6	267.4
Foreign Military Sales	892.9	754.7	743.9
Total New Orders	24,363.2	22,902.3	21,998.3
2. Carry-In Orders	3,447.5	3,374.4	3,004.4
3. Total Gross Orders	27,810.7	26,276.8	25,002.7
4. Carry-Out Orders (-)	-3,544.0	-3,004.4	-2,872.3
5. Sales Proceeds	60.6	53.8	47.3
6. Gross Sales (-)	24,327.3	23,326.2	22,177.7
7. Credits & Allowances (-)	-221.3	-206.2	-205.7
8. Net Sales	24,106.0	23,120.0	21,972.0
9. Reimbursable Sales	807.4	1,293.2	1,208.0
10. Total Revenue	24,913.4	24,413.2	23,180.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Revenue and Expenses
Fiscal Year (FY) 2012 President's Budget
February 2011
Total Supply Chain Management
(Dollars in Millions)

	FY 2010	FY 2011	FY 2012
Revenue			
Gross Sales	23,141.8	22,048.6	20,883.0
Operations	23,179.7	22,163.0	20,935.2
Capital Surcharge	-58.3	-130.7	-70.1
Depreciation excluding Major Construction	20.4	16.3	17.9
Other Income	1,992.8	2,570.8	2,502.6
Reimbursable Income	1,908.9	2,515.9	2,443.6
Other Income Depreciation	83.9	54.9	59.0
Refunds/Discounts (-)	-221.3	-206.2	-205.7
Total Revenue	24,913.4	24,413.2	23,180.0
Expenses			
Cost of Materiel Sold from Inventory	19,910.7	19,087.1	17,735.6
Salaries and Wages:			
Military Personnel Compensation & Benefits	39.0	39.5	38.4
Civilian Personnel Compensation & Benefits	2,036.6	2,068.3	2,074.5
Travel & Transportation	44.1	59.3	58.1
Materials & Supplies (For internal operations)	120.8	140.8	146.4
Equipment	92.0	83.2	75.8
Other Purchases from Revolving Funds	393.1	413.0	417.2
Transportation of Things	495.0	599.3	605.5
Depreciation - Capital	147.4	195.2	199.4
Printing and Reproduction	18.1	15.4	15.8
Advisory and Assistance Service	116.0	59.4	46.6
Rent, Communications, Utilities & Misc. Charges	70.7	128.7	130.6
Other Purchased Services	962.0	1,700.8	1,727.0
Total Expenses	24,445.6	24,590.0	23,270.8
Operating Results	467.8	-176.8	-90.8
Less Capital Surcharge Reservation	58.3	130.7	70.1
Less Recover Other	0.0	0.0	0.0
Plus Passthrough or Other Appropriations Affecting NOR	125.0	124.0	121.6
Plus Passthrough or Other Appropriations Not Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	-9.8	-160.6	-273.8
Net Operating Results	641.3	-82.8	-172.9
Prior Year Accumulated Operating Results	-21.7	619.7	536.9
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	0.0	0.0	-364.8
Accumulated Operating Result	619.7	536.9	-0.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fiscal Year (FY) 2012 Budget Estimates
February 2011

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency Energy (DLA Energy) is located at Fort Belvoir, Virginia, and provides comprehensive worldwide energy support for the military services and other authorized customers. DLA Energy also serves as the Department's Executive Agent for the bulk petroleum supply chain. Energy business includes sales of petroleum and aerospace missile fuels; natural gas products; arranging for petroleum support services; providing facility/equipment maintenance on fuel infrastructure; performing energy-related environmental assessment and cleanup; coordinating bulk petroleum transportation; performing petroleum quality surveillance functions worldwide; and assistance to the Services regarding procurement of electricity and privatization of their utility systems.

BUDGET HIGHLIGHTS

FY 2011 and 2012 reflect adjustments in fuel cost assumptions and are in line with recent market history and current projections of future costs.

PERFORMANCE INDICATORS

Energy: Net Barrels Sold

Energy measures its workload in terms of net barrels sold. Net barrels sold reflect requirements provided to DLA Energy 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 Overseas Contingency Operations. The FY 2011-2012 forecasts reflect a decrease in sales from FY 2010, arising from reductions in military operations tempo.

(Barrels in Millions)	FY 2010	FY 2011	FY 2012
Gross Barrels Sold	136.4	131.5	131.5
Less Credit Returns	5.9	6.0	6.0
Net Barrels Sold	130.5	125.5	125.5

Net Operating Results (NOR):

The DLA Energy Net Operating Result (NOR) represents the difference between revenue (including reimbursements) and expenses. NOR includes, as applicable, adjustments for supplemental and other income such as federal and state excise taxes collected on sales. The FY 2010-FY 2012 Energy Cost recovery rates are set to maintain DWWCF cash solvency. Additionally this budget includes retaining the remaining AOR balance in FY 2012 for variability in worldwide petroleum costs.

Energy NOR (\$ in Millions)	FY 2010	FY 2011	FY 2012
Revenue	15,502.8	16,400.6	16,878.8
Expenses	14,954.7	16,692.3	17,328.2
Operating Results	548.2	-291.7	-449.4
Supplementals	382.8	383.9	278.8
Net Operating Results	931.0	92.2	-170.6
Prior Year Accumulated Operating Results	-513.5	417.5	509.7
Other Changes Affecting AOR	0.0	0.0	-339.1
Ending Accumulated Operating Results	417.5	509.7	0.0

Cash:

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

Energy Cash (\$ in Millions)	FY 2010	FY 2011	FY 2012
Disbursements	14,606.1	16,066.3	16,997.1
Collections	-15,264.7	-16,398.5	-16,878.8
Net Outlays	-658.6	-332.2	118.3
Appropriations	-382.8	-383.9	-278.8
Transfers Out	0.0	0.0	0.0
Adjusted Outlays	-1,041.4	-716.1	-160.5

In addition to cash outlays, funding has been received through direct appropriations to offset some of the incremental costs associated with the Overseas Contingency Operations (OCO).

UNIT COST

Unit cost for petroleum products is the per-barrel cost (Obligation Authority plus depreciation) for petroleum, Aerospace, and Natural Gases, purchased by the DLA Energy. FY 2011 - FY 2012 costs are anticipated to rise due to the projected increase costs of refined products. Other increased costs are related to Facility Sustainment Restoration and Modernization (FSRM) cost increases related to the repair of deficiencies in the aging fuel infrastructure, as well as, increased transportation, and terminal operations costs.

Energy Petroleum Unit Cost	FY 2010	FY 2011	FY 2012
Refined Product Cost (Dollars per barrel)	\$101.60	\$111.61	\$115.49
Unit Cost Goal (Dollars per barrel)	\$120.58	\$131.32	\$135.10

ENERGY PRICING (PETROLEUM)

The Department of Defense (DoD) petroleum pricing is based on crude oil forecasts provided by the Office of Management and Budget (OMB). The OMB estimates crude petroleum rates based on market futures data from the New York Mercantile Exchange.

In FY 2010, there were multiple standard prices due to changing market conditions. The actual average standard price incurred in FY 2010 was \$116.26 per barrel. In accordance with the previous President's Budget, the Standard price for FY 2011 is \$127.26 per barrel and is anticipated to increase to \$131.04 in FY 2012. The Energy Standard Price includes costs for normal inventory losses as well as fuel related non-product costs for FSRM, transportation, storage, and operations. This budget includes using the positive Defense Working Capital Fund (DWCF) Accumulated Operating Result (AOR) and existing cash balances to offset costs exceeding the standard price by -\$0.84 per barrel in FY 2011 and \$-2.42 per barrel in FY 2012.

ENERGY Pricing (Petroleum)	FY 2010	FY 2011	FY 2012
Standard Price (Dollars per barrel)	\$116.26	\$127.26	\$131.04

INVENTORY

The DLA Energy inventory throughout FY 2010 remained relatively close to the inventory objective of 60.2 million barrels. Overall inventory increased slightly by 0.3 million barrels to a total of 59.9 million barrels, of which 34.5 million barrels are war reserve material (WRM).

In the following table, "normal" losses refer to spills, evaporation, shrinkage, and contamination. Combat fuel losses include transportation losses, insurgent attacks, theft, and spillage caused by a lack of a fully matured infrastructure.

Energy Inventory (Barrels in Millions)	FY 2010	FY 2011	FY 2012
<u>Beginning Inventory</u>	<u>59.6</u>	<u>59.9</u>	<u>59.9</u>
Peacetime Operating	25.1	25.4	25.4
War Reserve	34.5	34.5	34.5
Receipts	132.0	128.5	128.5
Sales (Net)	-130.5	-125.5	-125.5
Returns without Credit	0.0	0.0	0.0
Issues without Reimb.	-0.0	-0.0	-0.0
Net Gains/Losses (Normal)	-0.6	-2.0	-2.0
Combat Losses	-0.6	-1.0	-1.0
<u>Ending Inventory</u>	<u>59.9</u>	<u>59.9</u>	<u>59.9</u>
Peacetime Operating	25.4	25.4	25.4
War Reserve	34.5	34.5	34.5

PERSONNEL

DLA Energy continues its efforts to bring personnel on board to fill authorized end-strength and full-time equivalent (FTE) positions. This budget also estimates that FTEs will remain fairly constant to implement the Department's target goals for Defense Agency manpower efficiencies, to include labor and non-labor reductions.

Personnel	FY 2010	FY 2011	FY 2012
End Strength			
Military*	77	76	76
Civilian	1,168	1,276	1,276
Total	1,245	1,352	1,352
FTEs			
Military*	77	76	76

Civilian	1,086	1,172	1,172
Total	1,163	1,248	1,248
*Active Duty only, does not include Reserve positions.			

CAPITAL BUDGET

The capital budget funds investments that exceed the \$250 thousand investment criteria for the automated data processing equipment (ADPE), non-ADPE, and software development category and \$100 thousand for the minor construction category.

CAPITAL BUDGET (\$M)	FY 2010	FY 2011	FY 2012
Equipment (non-ADP)	27.5	26.3	29.9
Software & ADP Equipment	15.4	33.0	21.1
Minor Construction	38.8	73.0	88.9
Total	81.7	132.3	139.9

The FY 2011 capital budget estimate of \$132.3 million reflects an overall increase of \$50.6 million from FY 2010. The software development investment is for the Enterprise Business Systems (EBS) Energy Convergence system. Phase I and II of system development, which will result in the two applicable SAP industry solutions, Oil and Gas and the EBS Public Sector, functioning together on a common Enterprise Resource Planning (ERP) system backbone, are in progress. Minor construction increases in FY 2011 and FY 2012 correspond with a similar increase in FSRM operating funding requirements to reduce the backlog of fuel infrastructure deficiencies.

OVERSEAS CONTINGENCY OPERATIONS (OCO) SUPPLEMENTAL REQUEST

Direct OCO appropriations for DLA Energy were provided in FY 2010 and requested in FY 2011-FY 2012. The appropriation requests below are in support of OCO in Iraq and Afghanistan, and reflect the changes to what was previously enacted:

Requirement (\$ M)	FY 2010 OCO Enacted	FY 2011 OCO Request	FY 2012 OCO Request
Combat Fuel Losses	145.9	153.6	115.5
Fuel Trans/Terminal Ops	236.9	230.3	163.3
TOTAL	382.8	383.9	278.8

Fuel Combat Losses - \$115.5 million: The OEF/OND tactical fuel sites holding DLA capitalized fuel have experienced higher losses than fixed base facilities as previously discussed. The estimated cost to replace losses is expected to rise due to increased fuel purchase costs combined with increased OPTEMPO in the less mature Afghanistan Theater despite lower losses in Iraq. Inventory losses in these combat theaters are budgeted for approximately 1 million barrels per fiscal year.

Higher levels of fuel loss occur due to poor infrastructure, attacks on convoys, and use of tactical versus fixed storage locations. The high temperatures that occur (above 120 degrees in many places during the warmer months) promote higher levels of evaporation. In addition, locations which are supported via tank truck deliveries require extended duration delivery times (ranging from 2 to 15 days depending on the location).

(\$ M)		Operation	FY 2010	FY 2011	FY 2012
A.	Subactivity Group - Operations - Combat Fuel Losses				
	5.9 Fuel Combat Losses	OEF	108.3	114.1	105.5
		OND	37.6	39.5	10.0
		Total	145.9	153.6	115.5

Operations - \$163.3 million: The OEF/OND fuel operations consist of fuel transportation and terminal operations in support of OND and OEF. Transportation costs to deliver fuel products to U.S. military forces in support of the operations shown below are significantly higher than anywhere else in the world. The journey is fraught with poor road conditions, weather delays, insurgent attacks, and harassment by local war lords. OND locations are supported via tank truck deliveries from other countries, all of which require extended delivery times (ranging from two to 15 days, depending on the location.) OEF supported sites require a multi-day delivery via tank truck sometimes exceeding 10 days one-way from Pakistan and up to 23 days from sourcing locations to the north of Afghanistan. Transportation costs to deliver helium to Iraq support the Rapid Aerostat Initial Deployment and the Persistent Threat Detection

System. Terminal operations costs are associated with the handling, offloading, and storage of fuel to support mission critical CENTCOM requirements. The petroleum storage and throughput in these terminals and connecting pipelines is essential to execution of the OEF/OND campaigns and overall contingency operations.

	(\$ M)	Operation	FY 2010	FY 2011	FY 2012
B.	Subactivity Group - Operations - Fuel Transportation and Terminal Operations				
	5.9 Fuel Transportation and Terminal Operations	OEF	104.5	129.0	148.0
		OND	132.4	101.3	15.3
		Total	236.9	230.3	163.3

Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Defense Logistics Agency Energy
 Fiscal Year (FY) 2012 President's Budget
 Supply Management Summary
 FY 2010
 Dollars in Millions
 February 2011

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
ENERGY MISSION	2,367.083	15,172.328	15,172.328	15,714.269	0.000	328.361	16,042.630	0.000	16,042.630
AEROSPACE		69.580	69.580	43.402	0.000	54.486	97.888	0.000	97.888
REIMBURSABLE		140.030	140.030	130.869	0.000	0.000	130.869	0.000	130.869
TOTAL	2,367.083	15,381.937	15,381.900	15,888.540	0.000	382.847	16,271.387	0.000	16,271.387

Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Defense Logistics Agency Energy
 Fiscal Year (FY) 2012 President's Budget
 Supply Management Summary
 FY 2011
 Dollars in Millions
 February 2011

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
ENERGY MISSION	2,801.411	15,971.130	15,971.130	16,615.840	0.000	369.565	16,985.405	2,328.324	19,313.729
AEROSPACE		55.499	55.499	45.014	0.000	14.320	59.334	0.000	59.334
REIMBURSABLE		203.450	203.450	203.450	0.000	0.000	203.450	0.000	203.450
TOTAL	2,801.411	16,230.079	16,230.100	16,864.304	0.000	383.885	17,248.189	0.000	19,576.513

Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Defense Logistics Agency Energy
 Fiscal Year (FY) 2012 President's Budget
 Supply Management Summary
 FY 2012
 Dollars in Millions
 February 2011

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
ENERGY MISSION	2,898.799	16,445.520	16,445.520	16,916.475	0.000	264.990	17,181.465	2,382.269	19,563.734
AEROSPACE		54.360	54.360	44.942	0.000	13.795	58.737	0.000	58.737
REIMBURSABLE		206.020	206.020	206.020	0.000	0.000	206.020	0.000	206.020
TOTAL	2,898.799	16,705.900	16,705.900	17,167.437	0.000	278.785	17,446.222	0.000	19,828.491

Defense-Wide Working Capital Fund
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget
Inventory Status - Energy
FY 2010
Dollars in Millions
February 2011

	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	6,020.7	2,638.5	3,382.2	-
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	-	-	-
b. Price Change Amount (Memo)	570.7	570.7	-	-
c. Inventory Reclassified and Repriced	5,806.0	3,209.2	2,596.8	-
RECEIPTS AT COST	13,541.0	-	13,541.0	-
GROSS SALES AT COST	(13,988.9)		(13,988.9)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	-	-	-	-
Transfer to other DLA ICPs (-)	-	-	-	-
Transfer from other DLA ICPs (+)	-	-	-	-
b. Returns from Customers for Credit (+)	601.7	-	601.7	-
c. Returns from Customers without Credit (+)	-	-	-	-
d. Returns to Suppliers (-)	-	-	-	-
e. Transfers to Property Disposal (-)	-	-	-	-
f. Issues/Receipts without Reimbursement (-)	-	-	-	-
g. Normal Losses (-)	(253.8)	-	(253.8)	-
g. Combat Losses (-)	(129.7)	-	(129.7)	-
h. Total Adjustments	218.2	-	218.2	-
INVENTORY - End of Period (EOP)	5,576.3	3,209.2	2,367.1	-
INVENTORY EOP - REVALUED	5,576.3	3,209.2	2,367.1	-
a. Economic Retention (Memo)	-	-	-	-
b. Contingency Retention (Memo)	-	-	-	-
c. Potential DoD Utilization (Memo)	-	-	-	-
INVENTORY ON ORDER EOP				

Defense-Wide Working Capital Fund
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget
Inventory Status - Energy
FY2011
Dollars in Millions
February 2011

	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	5,576.3	3,209.2	2,367.1	-
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	-	-	-
b. Price Change Amount (Memo)	641.4	641.4	-	-
c. Inventory Reclassified and Repriced	6,652.0	3,850.5	2,801.4	-
RECEIPTS AT COST	14,345.1	-	14,345.1	-
GROSS SALES AT COST	(14,707.6)		(14,707.6)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	-	-	-	-
Transfer to other DLA ICPs (-)	-	-	-	-
Transfer from other DLA ICPs (+)	-	-	-	-
b. Returns from Customers for Credit (+)	669.7	-	669.7	-
c. Returns from Customers without Credit (+)	-	-	-	-
d. Returns to Suppliers (-)	-	-	-	-
e. Transfers to Property Disposal (-)	-	-	-	-
f. Issues/Receipts without Reimbursement (-)	-	-	-	-
g. Normal Losses (-)	(223.2)	-	(223.2)	-
g. Combat Losses (-)	(83.9)	-	(83.9)	-
h. Total Adjustments	362.5	-	362.5	-
INVENTORY - End of Period (EOP)	6,652.0	3,850.5	2,801.4	-
INVENTORY EOP - REVALUED				
a. Economic Retention (Memo)	-	-	-	-
b. Contingency Retention (Memo)	-	-	-	-
c. Potential DoD Utilization (Memo)	-	-	-	-
INVENTORY ON ORDER EOP				

Defense-Wide Working Capital Fund
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget
Inventory Status - Energy
FY 2012
Dollars in Millions
February 2011

	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	6,652.0	3,850.5	2,801.4	-
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	-	-	-
b. Price Change Amount (Memo)	133.9	133.9		-
c. Inventory Reclassified and Repriced	6,883.2	3,984.4	2,898.8	-
RECEIPTS AT COST	14,871.2	-	14,871.2	
GROSS SALES AT COST	(15,217.7)		(15,217.7)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	-	-	-	-
Transfer to other DLA ICPs (-)	-	-	-	-
Transfer from other DLA ICPs (+)	-	-	-	-
b. Returns from Customers for Credit (+)	692.9	-	692.9	-
c. Returns from Customers without Credit (+)	-			
d. Returns to Suppliers (-)	-	-	-	-
e. Transfers to Property Disposal (-)	-	-	-	-
f. Issues/Receipts without Reimbursement (-)	-	-	-	-
g. Normal Losses (-)	(231.0)	-	(231.0)	-
g. Combat Losses (-)	(115.5)	-	(115.5)	-
h. Total Adjustments	346.5	-	346.5	-
INVENTORY - End of Period (EOP)	6,883.2	3,984.4	2,898.8	-
INVENTORY EOP - REVALUED	6,883.2	3,984.4	2,898.8	-
a. Economic Retention (Memo)	-			-
b. Contingency Retention (Memo)	-			-
c. Potential DoD Utilization (Memo)	-			-
INVENTORY ON ORDER EOP				

Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Defense Logistics Agency Energy
 Fiscal Year (FY) 2012 President's Budget
 War Reserve Material (WRM) Stockpile
 FY 2010
 Dollars in Millions
 February 2011

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,638.5	2,638.5	0.0
2. Price Change (Memo)	570.7	570.7	0.0
3. Inventory Repriced	3,209.2	3,209.2	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3.) Other	0.0	0.0	0.0
5. Inventory EOP	3,209.2	3,209.2	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. 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
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget
War Reserve Material (WRM) Stockpile
FY 2011
Dollars in Millions
February 2011

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	3,209.2	3,209.2	0.0
2. Price Change (Memo)	641.4	641.4	0.0
3. Inventory Repriced	3,850.5	3,850.5	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3.) Other	0.0	0.0	0.0
5. Inventory EOP	3,850.5	3,850.5	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. 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
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget
War Reserve Material (WRM) Stockpile
FY 2012
Dollars in Millions
February 2011

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	3,850.5	3,850.5	0.0
2. Price Change (Memo)	133.9	133.9	0.0
3. Inventory Repriced	3,984.4	3,984.4	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0		0.0
(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	3,984.4	3,984.4	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. 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
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget Submission
Source of New Orders and Revenue
FY 2010 - 2012
Dollars in Millions
February 2011

TOTAL ENERGY	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
a. Orders from DoD Components	14,547.8	15,017.7	15,459.0
Army	2,515.2	2,514.6	2,588.4
Navy	3,690.7	4,244.2	4,365.6
Air Force	7,996.0	8,019.3	8,257.2
Marine Corps	85.5	109.6	113.8
Other	260.3	129.9	134.0
b. Orders from Other Activity Groups	0.0	0.0	0.0
c. Total DoD	14,547.8	15,017.7	15,459.0
d. Other Orders:	1,517.5	1,976.0	2,033.1
Other Federal Agencies	388.1	653.1	672.1
Non-Federal Agencies	665.9	698.4	718.0
Foreign Military Sales	463.6	624.5	643.0
Total New Orders	16,065.3	16,993.6	17,492.1
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	16,065.3	16,993.6	17,492.1
4. Funded Carry-Over	0.0	0.0	0.0
5. Total Gross Sales	16,065.3	16,993.6	17,492.1
6. Credits	(683.3)	(763.6)	(786.2)
7. Net Sales	15,381.9	16,230.1	16,705.9

Defense-Wide Working Capital Fund
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget Submission
Revenue and Expenses
FY 2010 - 2012
Dollars in Millions
February 2011

Revenue:	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Gross Sales @ Standard	16,045.0	16,992.2	17,490.1
Operations	15,989.9	16,897.5	17,393.5
Capital Surcharge	26.5	34.8	35.5
Depreciation	28.6	59.9	61.1
Other Income	141.2	172.0	175.0
Refunds/Discounts (-)	(683.3)	(763.6)	(786.2)
Total Income	15,502.8	16,400.6	16,878.8
Adjusted Income			
Total Income (allocated)	15,502.8	16,400.6	16,878.8
Expenses:			
Cost of Materiel Sold from Inventory	13,205.2	14,037.9	14,591.5
Inventory Gains/Losses	383.5	307.1	346.5
Salaries and Wages:	151.2	129.8	149.8
Military Personnel Costs	10.5	10.8	9.9
Civilian Personnel Compensation	140.6	119.0	139.9
Travel & Transportation of Personnel	8.6	14.9	15.4
Materials & Supplies (For internal use)	0.9	6.5	6.6
Equipment	6.3	10.2	10.7
Other Purchases from Revolving Funds	55.6	71.2	77.1
Transportation of Things	524.4	554.7	504.7
Depreciation - Capital	28.6	59.9	61.1
Printing and Reproduction	0.3	0.5	0.5
Advisory and Assistance Services	98.6	110.2	117.7
Rent, Communication, and Utility	1.4	17.3	18.1
Other Purchased Services	490.3	1,372.1	1,428.6
Total Expenses (System)	14,954.7	16,692.3	17,328.2
Allocated Expenses			
Total Expenses (Allocated)	14,954.7	16,692.3	17,328.2
Operating Results	548.1	(291.7)	(449.4)
Plus Passthroughs or Other	382.8	383.9	278.8
Other Changes Affecting NOR	0.0	0.0	0.0
Cash Surcharge	0.0	0.0	0.0
Transfers Out	0.0	0.0	0.0
Net Operating Results	931.0	92.2	(170.6)
Prior Year AOR	(513.5)	417.5	509.7
Other Changes Affecting AOR	0.0	0.0	(339.1)
Accumulated Operating Results (AOR)	417.5	509.7	0.0

Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Defense Logistics Agency Energy
 Fiscal Year (FY) 2012 President's Budget Submission
 Aerospace Missile Fuels Data
 FY 2010
 U.S. Dollars
 February 2011

FY 10 Budget Fuel Data Aerospace Missile Fuels	PROCURED FROM DLA Energy				PROCURED BY SERVICE			
	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Stabilized Price
Nitric Acid	16	0.0	\$46.50	0.0				
Priming Fluid ALCM (PF-1)	23	1.9	\$34.00	66.1				
JP-10	28	150.1	\$25.00	3,752.3				
Isopropyl Alcohol	31	349.8	\$0.68	237.9				
Deuterium, Gaseous	33	0.0	\$0.00	0.0				
Liquid Air	39	0.0	\$1.60	0.0				
Liquid Carbon Dioxide	86	1,744.4	\$0.13	226.8				
TOTAL MISCELLANEOUS		2,246.3	\$1.91	4,283.0				
Argon, Gaseous-Conus	21	0.6	\$190.00	114.4				
Argon, Liquid	32	720.6	\$0.38	273.8				
Argon, Gaseous-OConus	61	0.1	\$260.00	21.3				
Argon, Gaseous FMS	87	0.0	\$998.00	0.0				
TOTAL ARGON		721.3	\$0.57	409.5				
Dinitrogen Tetroxide	9	122.5	\$40.00	4,898.2				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.0	\$500.00	0.0				
Dinitrogen Tetroxide, MON-15 Low Iron	82	0.0	\$242.50	0.0				
Dinitrogen Tetroxide, MON-3UL	89	6.7	\$51.00	339.2				
TOTAL DINITROGEN TETROXIDE		129.1	\$40.57	5,237.4				
Helium, Cylinder	1	214.5	\$0.80	171.6				
Helium, Bulk	2	18.0	\$225.00	4,050.5				
Helium, Liquid-Dewars	24	60.1	\$6.48	389.4				
Helium, Extra Hi-Purity	43	0.0	\$0.00	0.0				
Helium, Ultra Hi-Purity	49	30.9	\$0.85	26.2				
Helium, Gaseous Bulk	80	222.2	\$9.47	2,103.9				
TOTAL HELIUM		545.6	\$12.36	6,741.6				
Hydrazine, UDMH	7	1.3	\$155.00	198.4				
Hydrazine	8	10.0	\$155.00	1,547.7				
Hydrazine, MMH	15	38.5	\$155.00	5,970.3				
Hydrazine, MPH	34	7.7	\$155.00	1,197.1				
Hydrazine, Hi-Purity	35	25.3	\$155.00	3,927.4				
Hydrazine, Water	37	6.7	\$155.00	1,033.1				
TOTAL HYDRAZINE		89.5	\$155.00	13,873.9				
Hydrogen, Liquid	12	755.4	\$3.25	2,455.2				
Hydrogen Peroxide	17	0.0	\$0.00	0.0				
Hydrogen, Gaseous	27	0.0	\$132.00	4.4				
Hydrogen, Gaseous Tinker	59	0.2	\$54.12	12.5				
TOTAL HYDROGEN		755.7	\$3.27	2,472.1				
Kerosene, RP-1, Bulk	10	186.6	\$10.00	1,865.6				
Kerosene, RP-1, Drum	65	0.0	\$65.00	0.0				
Kerosene, RP-1, TS5	75	0.0	\$0.00	0.0				
Kerosene, RP-1, Ultra Low Grade	76	1.2	\$44.25	51.6				
Kerosene, RP-1, TS30 Drum	77	0.0	\$12.80	0.0				
TOTAL KEROSENE		187.7	\$10.21	1,917.2				
Nitrogen, Liquid	4	89.3	\$104.50	9,333.1				
Nitrogen, Gaseous	5	213.2	\$5.16	1,100.3				
Nitrogen Trifluoride	11	0.0	\$0.00	0.0				
Nitrogen, Liquid (Pipeline)	46	0.0	\$0.00	0.0				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	259.8	\$51.81	13,460.2				
Nitrogen, Gaseous (KSC Only)	55	183.6	\$9.50	1,744.1				
LN2	84	1,921.0	\$0.80	1,536.8				
LN2 - Oconus	94	524.7	\$1.57	823.8				
TOTAL NITROGEN		3,191.7	\$8.77	27,998.4				
Oxygen, Liquid	3	2.6	\$95.00	245.5				
Oxygen, Liquid (Vandenberg AFB Only)	53	2.0	\$125.00	244.6				
Oxygen, Liquid (KSC Only)	63	2.9	\$90.00	260.2				
ABO	83	2,686.7	\$1.00	2,686.7				
ABO - OConus	93	696.9	\$3.10	2,160.5				
		3,391.1	\$1.65	5,597.5				
Xenon, Gaseous	19	0.0	\$0.00	0.0				
Xenon, Extra High-Purity	66	34.7	\$14.48	502.6				
TOTAL XENON		34.7	\$0.00	502.6				
Methanol Liquid	85	0.3	\$5.00	1.4				
Methane Liquid	44	15.0	\$12.25	184.0				
Methane Liquid	97	0.0	\$0.00	0.0				
Resonator Gas	57	0.0	\$261.56	2.4				
TOTAL METHANE LIQUID		15.3	\$278.81	187.7				
ARGON & CO2	A1	0.0	\$0.14	0.0				
Carbon Dioxide, Grade L	A2	1,261.5	\$0.07	88.3				
LN/LOX - GL	A3	0.6	\$2.16	1.3				
Liquid Nitrogen, Grade Q	A4	0.5	\$1.26	0.6				
Liquid Oxygen, Grade B	A5	2.1	\$1.59	3.4				
Propane	E7	0.3	\$2.50	0.7				
Acetylene, 100%	E8	0.0	\$33.17	0.0				
75/25 (75% Argon, 25% Carbon Dioxide)	E9	0.0	\$34.36	0.2				
95/5 (95% Argon, 5% Carbon Dioxide)	F1	0.1	\$31.45	2.5				
Argon 100%, 1980 PSI	F2	0.0	\$30.10	0.2				
Helium (UHP)	F5	0.0	\$151.12	1.7				
MAPP Gas	F6	0.0	\$109.38	4.3				
55% Nitrogen, 40% Helium, 5% CO2	F7	0.0	\$91.73	0.2				
Nitrogen (UHP)	F8	0.0	\$34.93	0.5				
Helium 1980 PSI	F9	0.0	\$110.10	1.4				
Nitrogen, 100%, 1980 PSI	G1	0.0	\$13.00	0.4				
Oxygen 100%, 1980 PSI	G2	0.3	\$9.37	3.2				
5% Carbon Dioxide, 40% Helium, Bal Nitrogen	G3	0.0	\$81.75	0.3				
Special Blends	G8	0.7	\$239.39	178.3				
TOTAL ABERDEEN GASES		1,266.3	\$977.57	287.5				
Rounding factor				0.0				
TOTAL		12,574.3	\$5.53	69,508.3				

Defense-Wide Working Capital Fund
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget Submission
Aerospace Missile Fuels Data
FY 2011
U.S. Dollars
February 2011

FY 11 Budget Fuel Data Aerospace Missile Fuels	PROCURED FROM DLA Energy				PROCURED BY SERVICE			Stabilized Price
	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	
Nitric Acid	16	14.8	\$49.00	722.8				
Priming Fluid ALCM (PF-1)	23	2.2	\$23.30	51.7				
JP-10	28	113.4	\$20.00	2,267.9				
Isopropyl Alcohol	31	160.0	\$0.68	108.8				
Deuterium, Gaseous	33	0.0	\$0.00	0.0				
Liquid Air	39	10.0	\$2.40	24.0				
Liquid Carbon Dioxide	86	2,436.0	<u>\$0.06</u>	<u>146.2</u>				
TOTAL MISCELLANEOUS		2,736.4	\$1.21	3,321.4				
Argon, Gaseous-Conus	21	0.6	\$210.00	126.0				
Argon, Liquid	32	908.2	\$0.28	254.3				
Argon, Gaseous-OConus	61	0.1	\$235.00	28.7				
Argon, Gaseous FMS	87	0.0	<u>\$998.00</u>	<u>20.0</u>				
TOTAL ARGON		908.9	\$0.47	428.9				
Dinitrogen Tetroxide	9	89.5	\$50.00	4,476.9				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.4	\$384.00	147.1				
Dinitrogen Tetroxide, MON-15 Low Iron	82	0.3	\$185.00	47.2				
Dinitrogen Tetroxide, MON-3UL	89	6.0	<u>\$65.00</u>	<u>390.0</u>				
TOTAL DINITROGEN TETROXIDE		96.2	\$52.62	5,061.1				
Helium, Cylinder	1	175.8	\$0.79	138.9				
Helium, Bulk	2	11.9	\$280.00	3,332.5				
Helium, Liquid-Dewars	24	84.3	\$8.25	695.1				
Helium, Liquid Bulk	36	0.0	\$0.00	0.0				
Helium, Extra Hi-Purity	43	0.0	\$0.00	0.0				
Helium, Ultra Hi-Purity	49	26.3	\$0.80	21.0				
Helium, Gaseous Bulk	80	190.4	<u>\$8.00</u>	<u>1,522.8</u>				
TOTAL HELIUM		488.6	\$11.69	5,710.4				
Hydrazine, UDMH	7	2.6	\$111.75	286.1				
Hydrazine	8	21.1	\$111.75	2,358.8				
Hydrazine, MMH	15	35.0	\$111.75	3,914.7				
Hydrazine, MPH	34	5.6	\$111.75	627.9				
Hydrazine, Hi-Purity	35	25.4	\$111.75	2,833.4				
Hydrazine, Water	37	4.7	<u>\$111.75</u>	<u>528.6</u>				
TOTAL HYDRAZINE		94.4	\$111.75	10,549.5				
Hydrogen, Liquid	12	514.0	\$3.25	1,670.6				
Hydrogen Peroxide	17	0.0	\$0.00	0.0				
Hydrogen, Gaseous	27	0.1	\$157.00	21.5				
Hydrogen, Gaseous - Tinker	59	1.8	<u>\$57.30</u>	<u>101.8</u>				
TOTAL HYDROGEN		515.9	\$3.48	1,793.9				
Kerosene, RP-1, Bulk	10	221.1	\$15.00	3,317.0				
Kerosene, RP-1, Drum	65	0.3	\$43.00	11.6				
Kerosene, RP-1, TS5	75	0.0	\$0.00	0.0				
Kerosene, RP-1, Ultra Low Grade	76	1.7	\$45.00	77.7				
Kerosene, RP-1, TS30 Drum	77	6.5	<u>\$17.00</u>	<u>110.5</u>				
TOTAL KEROSENE		229.6	\$15.32	3,516.7				
Nitrogen, Liquid	4	78.4	\$118.00	9,251.7				
Nitrogen, Gaseous	5	196.4	\$6.25	1,227.3				
Nitrogen Trifluoride	11	0.0	\$0.00	0.0				
Nitrogen, Liquid (Pipeline)	46	0.0	\$0.00	0.0				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	282.0	\$15.00	4,230.0				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.0	\$0.00	0.0				
Nitrogen, Gaseous (KSC Only)	55	132.2	\$11.75	1,553.0				
Nitrogen, Liquid (NASA AMES)	64	0.0	\$0.00	0.0				
LN2	84	2,160.3	\$0.52	1,123.3				
LN2 - Oconus	94	571.8	<u>\$1.50</u>	<u>857.7</u>				
TOTAL NITROGEN		3,421.0	\$5.33	18,242.9				
Oxygen, Liquid	3	3.9	\$105.00	413.1				
Oxygen, Liquid (Vandenberg AFB Only)	53	2.9	\$120.00	345.8				
Oxygen, Liquid (KSC Only)	63	3.7	\$96.00	359.0				
ABO	83	2,755.9	\$0.94	2,590.6				
ABO - OConus	93	777.9	<u>\$1.92</u>	<u>1,493.5</u>				
TOTAL LIQUID OXYGEN		3,544.3	\$1.47	5,202.0				
Xenon, Gaseous	19	0.0	\$0.00	0.0				
Xenon, Extra High-Purity	66	41.9	<u>\$15.50</u>	<u>649.5</u>				
TOTAL XENON		41.9	\$0.00	649.5				
Methanol Liquid	85	0.6	\$3.00	1.8				
Methane Liquid	44	16.8	\$13.05	219.2				
Methane Liquid	97	0.0	\$0.00	0.0				
Resonator Gas	57	0.0	<u>\$273.66</u>	<u>6.6</u>				
TOTAL METHANE LIQUID		17.4	\$289.71	227.6				
ARGON & CO2	A1	2,556.6	\$0.16	409.1				
LN/LOX - GL	A3	22.0	\$2.25	49.5				
PURE & MIX GASES	A6	0.2	\$303.37	70.4				
PROPANE	A7	0.5	\$3.85	1.9				
WELDING FACILITY GASES	A8	5.2	\$42.26	217.9				
FIRE SUPPRESSION AND REFRIGERANT	A9	0.0	<u>\$5,848.90</u>	<u>46.8</u>				
TOTAL ABERDEEN GASES		2,584.5	\$6,200.79	795.5				
Rounding factor				0.0				
TOTAL		14,679.1	\$3.78	\$55,499.5				

Defense-Wide Working Capital Fund
Energy Management Activity Group
Defense Logistics Agency Energy
Fiscal Year (FY) 2012 President's Budget Submission
Aerospace Missile Fuels Data
FY 2012
U.S. Dollars
February 2011

FY 12 Budget Fuel Data Aerospace Missile Fuels	PROCURED FROM DLA Energy				PROCURED BY SERVICE			Stabilized Price
	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	
Nitric Acid	16	6.1	\$50.00	306.3				
Priming Fluid ALCM (PF-1)	23	2.2	\$20.00	44.4				
JP-10	28	119.4	\$16.00	1,910.3				
Isopropyl Alcohol	31	160.0	\$0.71	113.6				
Deuterium, Gaseous	33	0.0	\$0.00	0.0				
Liquid Air	39	10.0	\$2.50	25.0				
Liquid Carbon Dioxide	86	2,436.0	\$0.05	121.8				
TOTAL MISCELLANEOUS		2,733.7	\$0.92	2,521.4				
Argon, Gaseous-Conus	21	0.6	\$220.00	133.1				
Argon, Liquid	32	912.2	\$0.25	228.0				
Argon, Gaseous-OConus	61	0.1	\$235.00	28.7				
Argon, Gaseous FMS	87	0.0	\$998.00	20.0				
TOTAL ARGON		912.9	\$0.45	409.8				
Dinitrogen Tetroxide	9	96.4	\$67.50	6,505.0				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.0	\$0.00	0.0				
Dinitrogen Tetroxide, MON-15 Low Iron	82	0.3	\$184.95	47.2				
Dinitrogen Tetroxide, MON-30L	89	2.0	\$69.00	138.0				
TOTAL DINITROGEN TETROXIDE		98.6	\$67.83	6,690.1				
Helium, Cylinder	1	184.3	\$0.63	116.1				
Helium, Bulk	2	11.8	\$360.40	4,256.6				
Helium, Liquid-Dewars	24	84.3	\$9.00	758.3				
Helium, Liquid Bulk	36	0.0	\$0.00	0.0				
Helium, Extra Hi-Purity	43	0.0	\$0.00	0.0				
Helium, Ultra Hi-Purity	49	26.3	\$0.44	11.6				
Helium, Gaseous Bulk	80	188.4	\$8.16	1,537.0				
TOTAL HELIUM		495.0	\$13.49	6,679.6				
Hydrazine, UDMH	7	1.0	\$99.51	95.5				
Hydrazine	8	4.9	\$99.51	482.7				
Hydrazine, MMH	15	30.4	\$99.51	3,020.2				
Hydrazine, MPH	34	5.6	\$99.51	559.1				
Hydrazine, Hi-Purity	35	16.5	\$99.51	1,644.6				
Hydrazine, Water	37	4.7	\$99.51	470.7				
TOTAL HYDRAZINE		63.0	\$99.51	6,272.9				
Hydrogen, Liquid	12	523.3	\$4.13	2,161.4				
Hydrogen Peroxide	17	0.0	\$0.00	0.0				
Hydrogen, Gaseous	27	0.1	\$230.00	31.5				
Hydrogen, Gaseous - Tinker	59	1.8	\$58.75	104.3				
TOTAL HYDROGEN		525.2	\$4.37	2,297.2				
Kerosene, RP-1, Bulk	10	224.1	\$15.03	3,368.7				
Kerosene, RP-1, Drum	65	0.3	\$75.00	20.3				
Kerosene, RP-1, TS5	75	0.0	\$0.00	0.0				
Kerosene, RP-1, Ultra Low Grade	76	1.7	\$5.00	8.6				
Kerosene, RP-1, TS30 Drum	77	6.5	\$11.18	72.7				
TOTAL KEROSENE		232.6	\$14.92	3,470.2				
Nitrogen, Liquid	4	78.3	\$127.68	10,000.9				
Nitrogen, Gaseous	5	196.4	\$7.22	1,417.8				
Nitrogen Trifluoride	11	0.0	\$0.00	0.0				
Nitrogen, Liquid (Pipeline)	46	0.0	\$0.00	0.0				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	276.0	\$15.22	4,200.7				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.0	\$0.00	0.0				
Nitrogen, Gaseous (KSC Only)	55	132.2	\$13.00	1,718.2				
Nitrogen, Liquid (NASA AMES)	64	0.0	\$0.00	0.0				
LN2	84	2,163.9	\$0.51	1,103.6				
LN2 - Oconus	94	571.8	\$1.50	857.7				
TOTAL NITROGEN		3,418.5	\$5.65	19,298.8				
Oxygen, Liquid	3	3.7	\$106.87	393.3				
Oxygen, Liquid (Vandenberg AFB Only)	53	2.9	\$100.00	288.2				
Oxygen, Liquid (KSC Only)	63	3.7	\$123.00	460.0				
ABO	83	2,751.1	\$0.94	2,586.0				
ABO - Oconus	93	761.3	\$1.79	1,362.8				
TOTAL LIQUID OXYGEN		3,522.7	\$1.44	5,090.3				
Xenon, Gaseous	19	0.0	\$0.00	0.0				
Xenon, Extra High-Purity	66	41.9	\$15.55	651.5				
TOTAL XENON		41.9	\$0.00	651.5				
Methanol Liquid	85	0.6	\$2.08	1.2				
Methane Liquid	44	8.5	\$15.50	131.8				
Methane Liquid	97	0.0	\$0.00	0.0				
Resonator Gas	57	0.0	\$280.27	6.7				
TOTAL METHANE LIQUID		9.1	\$297.85	139.7				
ARGON & CO2	A1	2,556.6	\$0.17	434.6				
LN/LOX - GL	A3	22.0	\$2.35	51.7				
PURE & MIX GASES	A6	0.2	\$316.99	73.5				
PROPANE	A7	0.5	\$4.01	2.0				
WELDING FACILITY GASES	A8	5.2	\$44.08	227.2				
FIRE SUPPRESSION AND REFRIGERANT	A9	0.0	\$6,118.00	48.9				
TOTAL ABERDEEN GASES		2,584.5	\$6,485.60	838.1				
Rounding factor				0.0				
TOTAL		14,638.0	\$3.71	54,359.8				

Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Defense Logistics Agency Energy
 Fiscal Year (FY) 2012 President's Budget Submission
 Fuel Data
 FY 2010
 U.S. Dollars
 February 2011

Budget Petroleum Data	PROCURED FROM DLA Energy			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	73.8	\$116.26	\$8,579.9				
DISTILLATES (F76, DFW)	14.6	\$115.84	\$1,691.2				
JP5	11.0	\$117.10	\$1,288.1				
DIESEL	4.7	\$106.68	\$501.4				
JP50, JAL, and JAA	10.7	\$116.26	\$1,242.3				
MOGAS (Unleaded)	1.3	\$111.72	\$145.2				
RESIDUALS	0.5	\$81.90	\$41.0				
MOGAS (Leaded)	0.3	\$131.46	\$36.8				
JTS	0.1	\$270.90	\$24.9				
Gasohol	0.0	\$111.72	\$2.7				
Lubricants	0.0	\$488.88	\$11.7				
JP4, JAB	0.0	\$112.14	\$4.7				
Avgas	<u>0.0</u>	<u>\$124.32</u>	<u>\$4.6</u>				
TOTAL BULK and PC&S	117.1	\$115.88	\$13,574.6				
<u>INTOPLANE</u>							
Jet Fuel Commercial Grade	4.3	\$124.32	\$535.8				
<u>BUNKERS:</u>							
DIESEL (Marine)	2.3	\$112.14	\$252.3				
RESIDUALS (Intermediate)	0.6	\$81.90	\$48.3				
DISTILLATES (F76, DFW)	<u>0.3</u>	<u>\$115.84</u>	<u>\$31.3</u>				
TOTAL BUNKERS	3.1	\$106.72	\$331.9				
<u>LOCAL PURCHASE and CASH</u>							
JP50, JAL, and JAA	3.8	\$116.26	\$441.8				
JP8	1.1	\$116.26	\$127.9				
MOGAS	0.5	\$131.46	\$65.7				
DIESEL	<u>0.6</u>	<u>\$106.68</u>	<u>\$64.0</u>				
TOTAL LOCAL PURCHASE & CASH	6.0	\$116.57	\$699.4				
Rounding Factor			\$30.6				
TOTAL	130.5	\$116.26	\$15,172.3				

Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Defense Logistics Agency Energy
 Fiscal Year (FY) 2012 President's Budget Submission
 Fuel Data
 FY 2011
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Budget Petroleum Data	PROCURED FROM DLA Energy			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	74.4	\$127.26	\$9,473.2				
DISTILLATES (F76, DFW)	15.1	\$126.84	\$1,910.2				
JP5	10.6	\$128.10	\$1,357.9				
DIESEL	9.5	\$116.77	\$1,104.6				
JP50, JAL, and JAA	0.4	\$127.26	\$47.1				
MOGAS (Unleaded)	1.6	\$124.32	\$203.9				
RESIDUALS	0.2	\$89.65	\$17.9				
MOGAS (Leaded)	0.3	\$143.90	\$38.9				
JTS	0.1	\$270.90	\$21.7				
Gasohol	0.0	\$124.32	\$5.0				
Lubricants	0.0	\$535.14	\$16.1				
JP4, JAB	0.0	\$122.75	\$3.7				
Avgas	<u>0.0</u>	<u>\$145.32</u>	<u>\$4.4</u>				
TOTAL BULK and PC&S	112.3	\$126.54	\$14,204.4				
<u>INTOPLANE</u>							
Jet Fuel Commercial Grade	4.2	\$136.08	\$572.9				
<u>BUNKERS:</u>							
DIESEL (Marine)	2.2	\$122.75	\$271.3				
RESIDUALS (Intermediate)	0.6	\$89.65	\$51.1				
DISTILLATES (F76, DFW)	<u>0.3</u>	<u>\$126.84</u>	<u>\$33.0</u>				
TOTAL BUNKERS	3.0	\$116.89	\$355.4				
<u>LOCAL PURCHASE and CASH</u>							
JP50, JAL, and JAA	3.4	\$127.26	\$432.7				
JP8	1.4	\$127.26	\$175.6				
MOGAS	0.6	\$143.90	\$86.3				
DIESEL	<u>0.6</u>	<u>\$116.77</u>	<u>\$72.4</u>				
TOTAL LOCAL PURCHASE & CASH	6.000	\$127.84	\$767.0				
Rounding Factor	-		71.4				
TOTAL	125.5	\$127.26	\$15,971.1				

Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Defense Logistics Agency Energy
 Fiscal Year (FY) 2012 President's Budget Submission
 Fuel Data
 FY 2012
 U.S. Dollars
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Budget Petroleum Data	PROCURED FROM DLA Energy			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	74.4	\$131.04	\$9,754.6				
DISTILLATES (F76, DFW)	15.1	\$130.62	\$1,967.1				
JP5	10.6	\$131.88	\$1,397.9				
DIESEL	9.5	\$120.24	\$1,137.5				
JP50, JAL, and JAA	0.4	\$131.04	\$48.5				
MOGAS (Unleaded)	1.6	\$128.01	\$209.9				
RESIDUALS	0.2	\$92.31	\$18.5				
MOGAS (Leaded)	0.3	\$148.17	\$40.0				
JTS	0.1	\$270.90	\$21.7				
Gasohol	0.0	\$128.01	\$5.1				
Lubricants	0.0	\$551.04	\$16.5				
JP4, JAB	0.0	\$126.40	\$3.8				
Avgas	<u>0.0</u>	<u>\$149.64</u>	<u>\$4.5</u>				
TOTAL BULK and PC&S	112.3	\$130.30	\$14,625.6				
<u>INTOPLANE</u>							
Jet Fuel Commercial Grade	4.2	\$140.12	\$589.9				
<u>BUNKERS:</u>							
DIESEL (Marine)	2.2	\$126.40	\$279.3				
RESIDUALS (Intermediate)	0.6	\$92.31	\$52.6				
DISTILLATES (F76, DFW)	<u>0.3</u>	<u>\$130.62</u>	<u>\$34.0</u>				
TOTAL BUNKERS	3.0	\$120.37	\$365.9				
<u>LOCAL PURCHASE and CASH</u>							
JP50, JAL, and JAA	3.4	\$131.04	\$445.5				
JP8	1.4	\$131.04	\$180.8				
MOGAS	0.6	\$148.17	\$88.9				
DIESEL	<u>0.6</u>	<u>\$120.24</u>	<u>\$74.5</u>				
TOTAL LOCAL PURCHASE & CASH	6.000	\$131.64	\$789.8				
Rounding Factor	-		74.2				
TOTAL	125.5	\$131.04	\$16,445.5				

**Defense Logistics Agency
Defense Wide Working Capital Fund (DWWCF)
DLA Document Services
Fiscal Year (FY) 2012 President's Budget**

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

DLA Document Services' value to DoD is characterized by two elements. First, DLA Document Services provides a full portfolio of best value document services ranging from traditional offset printing, through on-demand output, to online document services. Second, DLA Document Services actively functions as a transformation agent moving DoD toward the use of online documents and services. These services include building libraries of digital documents to permit online access, providing multifunctional devices (that print from networks, copy, fax, and scan) in customer workspaces, and converting paper documents to target digital formats. Over the past three fiscal years, the total volume of digital units produced by DLA Document Service has increased by 84%.

DLA Document Services manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 182 production facilities.

CUSTOMERS: DLA Document Services' primary customers are Army (24.3 percent), Navy (26.6 percent), Air Force (19.0 percent), Defense Agencies (26.4 percent), and non-DoD customers (3.7 percent). Both appropriated and DWWCF-funded activities are included in each Service's percentage.

BUDGET HIGHLIGHTS

DLA Document Services' submission reflects a reduction in the previously forecast revenue and expense for the Equipment Management Solutions (EMS) program. This reduction is the result of lower equipment prices for renewals negotiated by DLA Document Services. The savings from lower prices are passed on to customers.

In support of the Department's efficiency initiatives, the submission reflects a decrease of 28 FTEs in fiscal years 2011 through 2014, and a reduction of 16 FTEs in fiscal years 2015 through 2016. This initiative has a savings to the government of approximately \$27.7M from FY 2011-2016.

PERFORMANCE INDICATORS

1) **Customer Satisfaction:** This performance metric measures satisfied customers as the percentage of customers ranking DLA Document Services performance as “satisfied” or “very satisfied.” DLA Document Services uses a survey, professionally prepared and administered by an independent entity, to determine an overall customer satisfaction rating. DLA Document Services achieved a customer satisfaction rating of 93% for FY 2010, exceeding its goal of 90%.

2) **On-Time Delivery:** This performance metric measures the timeliness of order completion. The performance metric is calculated by dividing the total in-house orders completed on time by the total in-house orders. DLA Document Services achieved an on-time delivery rate of 98.0%, meeting its goal of 98.0%.

3) **Quality of Finished Product:** This performance metric measures customer satisfaction with quality of finished product as a percentage of customers ranking DLA Document Services quality performance as “satisfied” or “very satisfied.” DLA Document Services uses a survey, professionally prepared and administered by an independent entity, to determine quality of finished product rating. DLA Document Services achieved a quality of finished product rating of 97% for FY 2010, exceeding its goal of 95%.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Customer Satisfaction	93.0%	90.0%	90.0%
On-time Delivery	98.0%	98.0%	98.0%
Quality of Finished Product	97.0%	95.0%	95.0%

UNIT COST AND PRICING

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

	<u>FY 2010 Goal</u>	<u>FY 2010 Actual</u>
Unit Cost per In-house Production Unit	.0652	.0482

DLA Document Services produced 5% more in-house units than planned (2,571 million actual versus 2,456 million planned (PB11)); and actual in-house costs were almost 23% lower than planned (\$124.0 million actual versus \$160.2 million planned (PB11)). By incurring less cost, while producing slightly more units, DLA Document Services was able to better its unit cost goal by 26%.

	<u>FY 2010 Goal</u>	<u>FY 2010 Actual</u>
Composite Customer Rate Change	0.56%	1.01%

The composite customer rate change is the weighted average of the in-house production unit revenue change and the commercial program revenue change. The in-house production unit revenue change is calculated by dividing in-house revenue by the in-house production units. Commercial program revenue is cost plus. The non-labor inflation rate is used as the price change for the cost plus fixed fee commercial program. The FY2010 actual is above goal primarily due to workload shift from units with a lower per unit revenue (i.e. black and white units and bindery) to units with a higher unit revenue (i.e. color copies, Air Force Technical Order production and shipping).

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Unit Cost			
In-House Production	0.0482	0.0547	0.0565
Customer Rate	0.0560	0.0539	0.0610
Composite Customer Rate Change	1.01%	2.99%	5.93%

ANALYSIS OF BUDGET STATEMENTS

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

The NOR measures a single fiscal year impact of revenue and expenses incurred by the business. A positive NOR demonstrates revenues exceeded expenses for the business activity. Beginning in FY 2008 the Department directed that items purchased that fall between the accounting capitalization threshold (\$100,000 and greater) and the Defense Working Capital Fund (DWCF) capitalization threshold (\$250,000 and greater) would be expensed for budget purposes and collected in the operating budget rates. However, the accountants will record these transactions on the balance sheet and depreciate them. The Budget NOR reflects capital assets between thresholds being expensed. The Accounting NOR reflects capital assets between threshold being depreciated.

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 recoverable AOR reflects AOR based on Accounting NOR.

DLA Document Services ended FY 2010 with a NOR loss of \$24.1 million against a goal of a loss of \$32.4 million. The better than expected FY 2010 results are primarily driven by contractual issues with the execution of the DLA Document Services' equipment refresh

program. The projected FY 2011 and FY 2012 losses reflect rates set to reduce AOR to the benefit of DLA Document Services' customers.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Revenue	319.539	368.000	368.543
Cost of Goods Sold	343.601	374.195	376.658
Cash Surcharge			
Capital Surcharge			
Inventory Surcharge			
Other Changes Affecting NOR	0	0	0
Net Operating Results	(24.062)	(6.195)	(8.115)
Prior Year Accumulated Operating Results	38.372	14.310	8.115
Ending Accumulated Operating Result	14.310	8.115	0.000
Workload			
In-House Production (Units)	2,571.4	2,405.5	2,338.1

OUTLAYS: The FY 2010 positive net outlays reflects a \$24.1 million NOR loss to return AOR to customers, a \$33.9 million increase in payables, and a \$8.2 million increase in accounts receivable due to implementation of new software and changes in DFAS billing processes. The FY 2011 negative net outlays reflect a \$6.2 million planned NOR loss to return AOR to customers, a \$20.8 million decrease in payables, a \$28.8 million decrease in receivables, and a \$13.5 million in disbursements from equipment replacement. The FY 2012 negative net outlays reflects a \$8.1 million planned NOR loss to return AOR to customers, a \$7.6 million decrease in accounts payable and a \$17.0 million decrease in accounts receivable.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Disbursements	318.217	411.372	390.348
Collections	303.008	396.804	385.543
Appropriations			
Transfers In			
Net Outlays	15.209	14.568	4.805

PERSONNEL: This submission projects full-time equivalent increase for conversion of contractor performed workload to government.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Civilian End Strength	906	855	855
Civilian Full-Time Equivalents	866	855	855

CAPITAL BUDGET: The capital budget is the account used to fund investments exceeding the \$250,000 expense/investment criteria for: (1) Automated Data Processing Equipment (ADPE); (2) Non-ADPE; and (3) software developed for operational and management information systems. Capital for minor construction projects are used to fund investments exceeding \$100,000. A capital budget item is assumed to have zero salvage value and is depreciated on a straight-line basis over its useful life. Depreciation is expensed and recovered as a business related cost in DLA Document Services prices.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Capital Budget Program			
Equipment (Non-ADPE)	0	1.2	1.2
Equipment (ADPE)	0	1.33	1.73
Software Development	2.428	5.143	5.543
Minor Construction	0.05	0.3	0.3
Total	2.478	7.973	8.773

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 DLA Document Services
 Fiscal Year (FY) 2012 President's Budget
 Changes in the Cost of Operation
 (\$ in Millions)

	<u>Expenses</u>
FY 10 Actual:	343.6
FY 11 Estimate in President's Budget	375.5
Impact in FY 11 of Actual	
FY 10 Experience	
Civilian Personnel	2.0
Travel of Persons	(0.5)
Material & Supplies	(1.1)
Commercial Equipment Purchases	(1.9)
Capital Investments between thresholds	(9.0)
Other Purchased Services from Revolving Fund	1.8
Transportation of things	(0.6)
Printing and Reproduction	(11.4)
Advisory and Assistance Services	0.4
Rent, Communications, Utilities, and Misc	(25.0)
Other Purchased Services	4.3
Depreciation	(1.4)
Pricing Adjustments:	
Annualization of FY 10 Pay Raise	0.0
FY 11 Pay Raise	(0.7)
General Purpose Inflation	(0.5)
Program Changes:	
Civilian Personnel	(0.7)
Travel of Persons	(0.3)
Material & Supplies	1.0
Commercial Equipment Purchases	3.1
Capital Investments between thresholds	16.0
Other Purchased Services from Revolving Fund	(0.4)
Transportation of things	0.5
Printing and Reproduction	11.8
Advisory and Assistance Services	0.0
Rent, Communications, Utilities, and Misc	16.5
Other Purchased Services	(6.9)
Depreciation	1.7
FY 11 Current Estimate	374.2
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.0
FY 12 Pay Raise	0.0
General Purpose Inflation	4.4
Program Changes:	
Civilian Personnel	0.0
Travel of Persons	0.0
Material & Supplies	(0.1)
Commercial Equipment Purchases	(1.5)
Capital Investments between thresholds	(4.7)
Other Purchased Services from Revolving Fund	0.0
Transportation of things	0.0
Printing and Reproduction	(1.1)
Advisory and Assistance Services	0.0
Rent, Communications, Utilities, and Misc	5.4
Other Purchased Services	(0.7)
Depreciation	0.8
FY 12 Current Estimate	376.7

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 DLA Document Services
 Fiscal Year (FY) 2012 President's Budget
 Source of New Orders and Revenue
 (\$ in Millions)

	Actual		
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
1. New Orders			
a. Orders from DoD Components	271.029	299.600	299.721
Department of the Navy	79.075	87.411	87.446
Operations and Maintenance, Navy	37.887	41.881	41.898
Operations and Maintenance, Marine Corps	19.713	21.791	21.800
O&M, Navy Reserve	1.704	1.884	1.884
O&M, Marine Corps Reserve	0.840	0.929	0.929
Aircraft Procurement, Navy	0.852	0.942	0.942
Shipbuilding & Conversion, Navy	0.116	0.128	0.128
Research, Development, Test & Eval, Navy	0.283	0.313	0.313
Military Construction, Navy	0.199	0.220	0.220
Other Navy Appropriations	1.695	1.874	1.874
Credit Card Purchases, Navy	15.786	17.450	17.457
Department of the Army	80.754	89.267	89.303
Army Operation and Maintenance	52.574	58.116	58.140
O&M, Army Reserve	0.739	0.817	0.817
Army National Guard	1.234	1.364	1.365
Army Res, Dev, Test & Eval Accounts	0.968	1.070	1.070
Army Procurement Accounts	0.799	0.883	0.884
Army Other	1.245	1.376	1.377
Credit Card Purchases, Army	23.195	25.640	25.651
Department of the Air Force	63.478	70.170	70.198
Air Force Operation & Maintenance	29.731	32.865	32.878
O&M, Air Force Reserve	0.574	0.635	0.635
Air Force National Guard	0.858	0.948	0.949
Air Force Res, Dev, Test & Eval Accounts	0.708	0.783	0.783
Air Force Procurement Accounts	0.580	0.641	0.641
Air Force Other	0.786	0.869	0.869
Credit Card Purchases, Air Force	30.241	33.429	33.442
DoD Appropriated Accounts	47.722	52.753	52.774
Operation & Maintenance Accounts	17.188	19.000	19.008
Res, Dev, Test & Eval Accounts	0.292	0.323	0.323
Procurement Accounts	0.111	0.123	0.123
Military Construction, Defense	0.084	0.093	0.093
Defense Health Program	23.137	25.576	25.586
DoD Other	0.904	0.999	1.000
Credit Card Purchases, Defense	6.006	6.639	6.642
b. Orders from other Fund Activity Groups	51.432	56.854	56.877
Navy	9.973	11.024	11.029
Army	0.805	0.890	0.890
Air Force	0.071	0.078	0.079
Other DoD	40.583	44.861	44.879
c. Total DoD	322.461	356.454	356.598
d. Other Orders	12.108	13.384	13.390
Other Federal Agencies	10.445	11.546	11.551
Credit Card Purchases	1.530	1.691	1.692
Non-Federal Agencies and Other	0.133	0.147	0.147
Total New Orders	334.569	369.838	369.988
2. Carry-In Orders	36.649	51.679	53.517
3. Total Gross Orders	371.218	421.517	423.505
4. Funded Carry-Over	51.679	53.517	54.962
5. Total Gross Sales	319.539	368.000	368.543

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Document Services
Fiscal Year (FY) 2012 President's Budget
Revenue and Expenses
(\$ in Millions)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Revenue			
Gross Sales	319.539	368.000	368.543
Operations	0.000	0.000	0.000
Capital Surcharge	0.000	0.000	0.000
Depreciation excluding Major Construction	0.000	0.000	0.000
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts (-)	0.000	0.000	0.000
Total Income:	319.539	368.000	368.543
Expenses			
Cost of Material Sold from Inventory	0.000	0.000	0.000
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.0	0.0	0.0
Civilian Personnel Compensation & Benefits	67.471	67.041	67.016
Travel & Transportation of Personnel	1.904	1.725	1.713
Materials & Supplies (For Internal Operations)	21.760	22.375	22.653
Equipment Purchases	12.092	6.678	5.256
Capital Investments between Thresholds	0.000	8.786	4.108
Other Purchases from Revolving Funds	6.286	6.128	6.220
Transportation of Things	1.732	2.255	2.291
Depreciation - Capital	1.736	4.119	4.897
Printing and Reproduction	96.490	109.110	109.656
Advisory and Assistance Services	0.884	0.883	0.897
Rent, Communications, Utilities, & Misc. Charges	84.123	102.026	108.919
Other Purchased Services	49.123	43.070	43.033
Total Expenses:	343.601	374.195	376.658
Operating Result	(24.062)	(6.195)	(8.115)
Net Operating Result	(24.062)	(6.195)	(8.115)
Prior Year Adjustments			
Prior Year AOR	38.372	14.310	8.115
Accumulated Operating Result	14.310	8.115	(0.000)
Non-Recoverable Adjustment Impacting AOR:			
Surcharge Prohibition			
Accumulated Operating Results for Budget Purposes	14.310	8.115	(0.000)