

DEFENSE WORKING CAPITAL FUND

DEFENSE-WIDE FISCAL YEAR (FY) FY 2016 BUDGET ESTIMATES

OPERATING AND CAPITAL BUDGETS



**FEBRUARY 2015
CONGRESSIONAL DATA**

**DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2016 BUDGET ESTIMATES
FEBRUARY 2015**

DEFENSE-WIDE SUMMARY

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

The DFAS was formed in January 1991 from the Military Services finance and accounting functions. The DFAS leads 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 DISA engineers and provides 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 DLA SCM manages materiel from initial acquisition, to storage and distribution, and then finally to reutilization or disposal. The DLA Energy Management provides comprehensive worldwide energy support for the military services and other authorized customers. The DLA Document Services provides time sensitive, competitively priced, and high quality printing and digital services. The DLA provides effective and efficient worldwide support to warfighters and our other customers.

DEFENSE-WIDE WORKING CAPITAL FUND CASH

The table below displays the actual DWWCF cash balance at the end of FY 2014 and projected cash balances for year-end through FY 2016. These plans reflect a decrease of \$1,616.9 million in cash from the beginning of FY 2014 thru FY 2016.

Dollars in Millions	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Beginning of Period, Cash	2,683.4	1,635.7	1,434.0
Disbursements	46,602.7	46,990.6	45,682.9
Collections	45,744.4	46,658.3	45,184.0
Net Outlays	858.3	332.3	498.9
<u>Direct Appropriation</u>			
FY 2014 Received	46.4		
FY 2015 Received		44.3	
FY 2016 Request			45.1
<u>Overseas Contingency Operations Appropriation</u> ¹			
FY 2014 Received	131.7		
FY 2015 Received		86.3	
FY 2016 Request			86.3
<u>Transfers</u>	-367.5	0.0	0.0
End of Period, Cash	1,635.7	1,434.0	1,066.5

FY 2014 Cash: The DWWCF Cash balance decreased \$1,047.7 million due to net outlays of \$858.3 million and transfers of \$367.5 million out of the fund. This decrease was partially offset by direct appropriations of \$178.1 million. The DWWCF appropriations included \$46.4 million in direct appropriations for Reutilization, Transfer, and Disposal (RTD) costs and \$131.7 million in Overseas Contingency Operations (OCO) appropriations. The DLA SCM activity received \$46.7 million primarily for continuing operations at the six established DLA Disposition Services sites (four in Afghanistan, one in Kuwait, and one in Qatar). The DLA Energy Management activity received

¹ "Because the Administration has not yet made final decisions about an enduring presence in Afghanistan after calendar year 2015, the Budget includes a placeholder for the Department of Defense's 2016 OCO funding. This number is a placeholder and appears solely for the purposes of estimating reimbursable rates and cash balances in DOD working capital fund activities. Once DOD's OCO needs for 2016 are determined, a budget amendment package will be transmitted subsequent to release of the Budget."¹

\$85.0 million for Fuel Transportation/Terminal Operations and Combat Fuel Losses. Transfers out were from the DLA Energy Management activity (\$347.5 million) to the Operation and Maintenance, Defense Wide account, and from the DLA SCM activity (\$20.0 million) to the Army Working Capital Fund (WCF) for Consumable Item Transfers (CIT). The Net Outlays were primarily due to the DLA SCM activity (\$911.4 million). The DLA Energy Management activity outlayed \$52.4 million. The FY 2014 ending cash balance was \$1,635.7 million.

FY 2015 Cash: The DWWCF expects to outlay \$332.3 million due to the DLA SCM activity (\$940.9 million), partially offset by a projected gain of \$485.5 million in the DLA Energy Management activity. Projected Net Outlays for the DLA SCM activity are due to:

- (1) audit readiness contracts
- (2) payments to the Military Services for Logistics Reassignment of Items (F/A-18 and CIT)
- (3) disbursing for materiel with a long financial lead time, which was obligated in a prior fiscal year
- (4) lower sales based on forecasted lower demand

The DLA Energy Management activity gain is from lower than budgeted refined product costs along with higher than budgeted sales in the first two months of the fiscal year. The DWWCF received \$44.3 million in direct appropriations for RTD costs and \$86.3 million in OCO funding. Of the \$86.3 million received, the DLA Energy Management activity received \$47.0 million for Fuel Transportation/Terminal Operations and Combat Fuel Losses; the DLA SCM activity received \$39.3 million primarily for the DLA Disposition Services to support the drawdown of contingency operations in Afghanistan and also to support the Satellite Communications Services (SATCOM) for activities in Southwest Asia (SWA). The projected FY 2015 ending cash balance is \$1,434.0 million.

FY 2016 Cash: The DWWCF expects to outlay \$498.9 million due to a projected loss in the DLA SCM activity (\$564.6 million). The DLA Energy Management activity expects to outlay \$7.8 million. Net Outlays for the DLA SCM activity are due to:

- (1) lower sales projections and associated collections caused by a decreasing customer Operations Tempo
- (2) disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year
- (3) audit readiness contracts

The DWWCF requests \$45.1 million in direct appropriations for RTD costs and \$86.3 million in OCO funding². Of the \$86.3 million, the DLA Energy Management activity is requesting \$47.0 million and the DLA SCM activity is requesting \$39.3 million. The FY 2016 ending cash balance is projected to be \$1,066.5 million.

² "Because the Administration has not yet made final decisions about an enduring presence in Afghanistan after calendar year 2015, the Budget includes a placeholder for the Department of Defense's 2016 OCO funding. This number is a placeholder and appears solely for the purposes of estimating reimbursable rates and cash balances in DOD working capital fund activities. Once DOD's OCO needs for 2016 are determined, a budget amendment package will be transmitted subsequent to release of the Budget."²

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL
SOURCE OF NEW ORDERS AND REVENUE
FISCAL YEAR (FY) 2016 PRESIDENT'S BUDGET SUBMISSION
FEBRUARY 2015
(Dollars in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
1. New Orders:			
a. Orders from DoD Components			
Army	7,614.6	7,644.6	7,681.1
Operations & Maintenance	5,740.7	5,392.1	5,398.5
Research Development Testing & Evaluation	135.0	205.5	194.2
Procurement	331.9	545.5	584.0
Military Construction	3.0	5.7	4.9
Family Housing	2.3	40.3	35.2
Military Personnel	1,357.4	1,356.6	1,370.6
Other	44.3	98.9	93.7
Navy	6,808.3	6,658.8	6,319.5
Operations & Maintenance	6,280.6	6,120.0	5,763.8
Research Development Testing & Evaluation	12.7	10.3	10.4
Procurement	64.6	69.5	69.8
Military Construction	36.8	36.2	36.7
Family Housing	0.0	0.0	0.0
Military Personnel	404.2	399.2	404.9
Other	9.4	23.6	33.9
Air Force	8,754.1	8,517.3	8,181.3
Operations & Maintenance	8,508.6	6,872.2	6,616.3
Research Development Testing & Evaluation	156.1	114.7	108.6
Procurement	9.1	8.1	8.2
Military Construction	0.0	0.0	0.0
Family Housing	3.8	3.6	3.4
Military Personnel	50.2	1,453.1	1,381.8
Other	26.3	65.6	63.0
Marine Corps	815.5	893.3	897.2
Operations & Maintenance	629.9	695.8	698.1
Research Development Testing & Evaluation	0.0	0.0	0.0
Procurement	10.4	10.2	10.3
Military Construction	0.0	0.0	0.0
Family Housing	0.0	0.0	0.0
Military Personnel	175.2	173.1	175.6
Other	0.0	14.2	13.2
Defense-Wide	4,127.9	4,695.7	5,102.0
Operations & Maintenance	1,715.2	2,144.9	2,510.9
Research Development Testing & Evaluation	205.5	244.2	251.0
Procurement	110.7	227.5	232.3
Military Construction	0.1	0.1	0.1
Family Housing	0.0	0.0	0.0
Military Personnel	0.0	0.0	0.0
Other	2,096.4	2,079.0	2,107.7

Other	196.8	213.6	265.2
Operations & Maintenance	195.6	212.8	264.4
Research Development Testing & Evaluation	0.7	0.0	0.0
Procurement	0.5	0.8	0.8
Military Construction	0.0	0.0	0.0
Family Housing	0.0	0.0	0.0
Military Personnel	0.0	0.0	0.0
Other	0.0	0.0	0.0
Total New Orders	28,317.2	28,623.3	28,446.3
Operations & Maintenance	23,070.6	21,437.8	21,252.0
Research Development Testing & Evaluation	510.0	574.7	564.2
Procurement	527.2	861.6	905.4
Military Construction	39.9	42.0	41.7
Family Housing	6.1	43.9	38.6
Military Personnel	1,987.0	3,382.0	3,332.9
Other	2,176.4	2,281.3	2,311.5
b. Orders from Other Fund Activity Groups	14,909.4	13,261.2	13,218.5
Army	3,053.9	2,610.6	2,627.4
Navy	3,345.1	2,991.8	2,928.6
Air Force	7,231.3	6,305.6	6,317.2
Marine Corp	1.3	1.6	1.5
Defense-Wide	1,277.8	1,351.6	1,343.8
c. Total DoD	43,226.6	41,884.5	41,664.8
d. Other Orders:	2,801.1	3,781.8	3,628.0
Trust Fund	23.7	26.4	26.9
Federal Agencies	831.3	1,462.0	1,401.8
Non Federal Agencies	614.7	884.0	838.5
Exchange Activities	0.7	1.2	2.5
Foreign Military Sales	1,330.7	1,408.2	1,358.3
2. Carry-In Orders	3,138.3	3,433.4	3,291.7
3. Total Gross Orders	49,166.0	49,099.7	48,584.5
4. Carry-Out Orders	-3,433.4	-3,291.7	-3,197.8
5. Gross Sales	45,732.6	45,808.0	45,386.7
Disposition Services - Sales Proceeds	104.0	122.1	130.0
6. Credits & Allowances	-684.4	-1,143.0	-1,073.0
7. Net Sales	45,152.2	44,787.1	44,443.7
8. Reimbursable Sales	762.2	912.8	896.5
9. Total Revenue	45,914.4	45,699.9	45,340.2

DEFENSE-WIDE WORKING CAPITAL FUND
SUMMARY
FISCAL YEAR (FY) 2016 PRESIDENT'S BUDGET SUBMISSION
REVENUE AND EXPENSES
FEBRUARY 2015
(Dollars in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Revenue:			
Gross Sales	44,804.5	44,700.0	44,305.2
Operations	44,695.0	44,555.7	44,165.2
Capital Surcharge	(35.3)	(6.7)	(17.5)
Depreciation excluding Major Construction	144.8	151.0	157.5
Major Construction Depreciation	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0
Other Income	1,950.2	2,295.5	2,264.3
Refunds/Discounts (-)	(684.4)	(1,143.0)	(1,073.0)
Total Income	46,070.3	45,852.5	45,496.5
Expenses:			
Cost of Materiel Sold from Inventory	31,849.9	29,076.6	27,833.0
Materiel-Related	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	67.0	66.9	68.1
Civilian Personnel Compensation & Benefits	3,610.7	3,798.2	3,845.3
Travel & Transportation of Personnel	38.2	54.9	54.7
Materials & Supplies (For Internal Oper)	73.2	117.2	123.2
Equipment	148.9	143.0	111.9
Other Purchases from Revolving Funds	769.3	844.6	1,010.7
Transportation of Things	633.9	890.7	903.5
Inventory Maintenance	(32.2)	272.5	249.2
Depreciation - Capital	292.0	336.1	344.9
Printing & Reproduction	64.5	79.7	78.9
Advisory and Assistance Services	25.6	104.4	99.4
Rent, Communication, Utilities, & Misc.	2,146.1	2,129.9	2,147.7
Other Purchased Services	7,373.1	8,856.0	9,167.1
Total Expenses	47,060.2	46,770.7	46,037.6
Operating Result	(989.9)	(918.2)	(541.1)
Less Capital Surcharge Reservation	35.3	6.7	17.5
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	(769.4)	97.7	90.0
Net Operating Result (NOR)	(1,724.0)	(813.8)	(433.6)
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	(0.9)	(98.7)	171.1
Prior Year AOR	2,438.8	722.0	(419.9)
Accumulated Operating Result (AOR)	713.9	(190.5)	(682.4)
Non-Recoverable Adjustments Impacting AOR	7.9	(229.1)	(110.2)
Accumulated Operating Results for Budget Purposes	721.8	(419.6)	(792.6)

Defense Finance and Accounting Service



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OFFICE OF PREPUBLICATION AND SECURITY REVIEW

Fiscal Year (FY) 2016 Budget Estimates Defense Working Capital Fund (DWCF) President's Budget Submission January 2015

The estimated cost of this report or study for the Department of Defense is approximately \$8,380 for the 2015 Fiscal Year. This includes \$100 in expenses and \$8,280 in DoD labor.
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**Fiscal Year (FY) 2016 Budget Estimates
Defense Finance and Accounting Service
February 2015**

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DEFENSE FINANCE AND ACCOUNTING SERVICE

OVERVIEW

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

The DFAS works in partnership with defense agencies, military services, and combatant commands to provide timely business information to key decision-makers. Focusing on the finance and accounting needs of the military services, the DFAS allows the Warfighter to better concentrate on their mission. The 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. The DFAS provides a diverse set of accounting, finance, and technical services to customers to include:

Commercial Pay: The DFAS processes customer invoices in an efficient, accurate and timely manner. During FY 2014, the DFAS processed more than 11.5 million commercial invoices while reducing cost through increased use of electronic commerce (electronic receipt of contracts, invoices and receiving reports). This, along with other process improvements, has resulted in reduced cycle-time, fewer errors, and less rework enabling the DFAS to free up customer resources to support the warfighter.

Military/Civilian Pay Services: During FY 2014, the DFAS processed over 150 million pay transactions, disbursed over \$572 billion to over 6.2 million customers, and managed more than \$772 billion in the Military Retirement and Health Benefits Funds. The DFAS continuously enhances value to our customers by finding innovative ways to improve service and reduce 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 online. Transitioning to an electronic environment has resulted in more efficient processes, broader and faster availability of data, and more functionality and hands-on control for our customers.

Accounting Operations Services: The DFAS accounted for 1,270 active DoD appropriations while maintaining 228.6 million general ledger accounts. Accounting Operations provides responsive and professional financial management, accounting, analysis, and consultation services with a consistent focus on helping the DoD and other customers become more audit ready every day.

Information Technology (IT) Services: Information technology is critical to the DFAS mission. The constantly changing technological environment necessitates continuous management focus on IT planning, development and maintenance of systems, and daily infrastructure operations. The DFAS technology services include planning, developing architectures, designing, building, operating, and maintaining essential telecommunications and computing infrastructure, as well as system development, maintenance, and customer support. The DFAS's IT directorate takes the lead in advising and implementing the DFAS strategy to leverage the evolving technology that enables a framework of continuous improvement.

Budget Assumptions and Efficiencies

The DFAS aligned its budget assumptions and based its estimates on business events required to meet customer workload forecasts. As a working capital fund, the DFAS may adapt its execution plan in response to subsequent changes in customer requirements.

The DFAS shaped the FY 2016 President's Budget with a focus on maintaining quality service to customers at the lowest possible cost while maintaining sufficient resources to support ongoing operations and capital investment. The DFAS budget incorporates the following assumptions, efficiencies, and strategies. DFAS is focused on:

- Leveraging efficiencies and cost reductions to meet new workload demands without increasing cost or end strength.
- Ensuring the highest level of quality and customer service by analyzing and evaluating our operational performance against maturing metrics and benchmarks.
- Maintaining a high level of accounting support to the DFAS customers with continued focus on Enterprise Resource Planning (ERP) and Audit Readiness.
- Supporting customer audit assertion and audit execution by providing client liaison support, educational programs, contracting and accounting support, and system upgrades and enhancements as part of a dedicated infrastructure.
- Generating long term cost savings and continuity of quality by in-sourcing mission related functions when beneficial.
- Increasing cost efficiencies by consolidating servers, reducing database sizes, strategically managing hardware replacement schedules, and in-sourcing expertise.

- Enhancing the effectiveness of our systems environment by partnering with customers to accelerate legacy system retirements, seamlessly transitioning replacement systems, and developing and implementing system upgrades.
- Reducing the cost of postage, printing, and labor through paperless and “hands free” services.
- Continuing to mature unit cost tracking and analysis to aid the DFAS in evaluating and validating customer billing rates throughout the year. This will allow the DFAS to better assess potential future rate adjustments as well as more closely monitor the status of budgetary resources.

Budget Summary

The following tables provide the DFAS Defense Working Capital Fund (DWCF) estimates for Cost, Revenue, and Personnel levels.

Revenue and Cost (Dollars in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Revenue	\$1,312.9	\$1,414.7	\$1,412.5
Cost of Operations	\$1,294.7	\$1,385.7	\$1,371.2
Operating Results	\$18.2	\$29.0	\$41.3
Unfunded Depreciation, Non-DWCF acquired PP&E	\$11.2	\$11.3	\$11.2
Recoverable Net Operating Results (NOR)	\$29.4	\$40.2	\$52.5
Accumulated Operating Results (AOR) – Beginning	\$-41.1	\$-11.7	\$28.6
Adjustments	0.0	0.0	-\$81.1
AOR - Final	\$-11.7	\$28.6	\$0.0

Personnel

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Civilian FTEs	11,181	11,569	11,560
Civilian End Strength	11,227	11,492	11,533
Military End Strength	29	29	29

In FY 2014, customer orders did not materialize at budgeted levels. The DFAS adapted its execution to the lower funding level and ended FY 2014 with a positive NOR, although AOR remained negative by \$11.7 million. The DFAS set its FY 2016 rates to provide sufficient cash and resources to support ongoing operations and to mitigate risk from potential workload fluctuations.

The DFAS President's Budget reflects a focus on embracing new technology, use of more efficient systems, and reduced reliance upon contractor staff. The DFAS anticipates further reductions and cost savings to customers through the Future Years Defense Program (FYDP) as a result of increased usage of e-commerce for payment processing, additional troop drawdowns resulting in lower workload, and reductions and efficiencies driven by internally identified innovations and process improvements.

Capital Investment Program

(Dollars in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Total Obligations	\$29.6	\$32.7	\$25.5
Total Capital Outlays	\$23.8	\$31.2	\$30.7

The DFAS capital program shows a decline in FY 2016, because one-time efforts undertaken in FY 2014 and FY 2015 will not be seen in FY 2016.

The ADPE and Telecommunications Equipment program remains consistent from FY 2014 through FY 2016 supporting Enterprise Local Area Network, Teleservices and Security requirements across the Agency. In FY 2016, funding for these programs will level out based on the cost saving initiatives implemented in prior years.

The Software program increases from FY 2014 to FY 2015 as the Agency continues to implement Standard Financial Information Structure/Standard Line of Accounting (SFIS/SLOA) efforts started in FY 2014. Additionally in FY 2015, DFAS is beginning the upgrade of the Electronic Business program, elevating this system to an Enterprise Resource Planning system. This effort will continue in FY 2016 while the remainder of the software budget will decline to baseline levels.

The Minor Construction program remains constant in FY 2014 and FY 2015 with projects at the Columbus site in FY 2014 and the Rome and Limestone site in FY 2015. In FY 2016, projects are expected at Columbus, Limestone and Indianapolis to increase security and safety of DFAS personnel.

**Fiscal Year (FY) 2016 Budget Estimates
Changes in the Costs of Operation
Defense Finance and Accounting Service
February 2015
(Dollars in Millions)**

FY 2014 Actuals		\$1,294.7
Pricing Adjustment:		
FY 2015 Civilian Pay Raise		\$6.9
Annualization Prior Year Pay Raise		2.3
Inflation Adjustment		5.9
Program Changes:		
Military Personnel Compensation		(2.8)
Civilian Personnel Compensation		45.1
Travel & Transportation of Personnel		2.1
Material & Supplies		0.7
Equipment		1.1
Other Purchases from Revolving Funds		(7.6)
Transportation of Things		0.1
Depreciation		3.1
Printing & Reproduction		0.2
Advisory & Assistance Services		9.4
Rent, Communications, Utilities and Misc. Charges		2.8
Other Purchased Service		21.7
FY 2015 PB 2015 Estimate:		\$1,385.7
Pricing Adjustment:		
FY 2016 Civilian Pay Raise		\$9.6
Annualization Prior Year Pay Raise		2.4
Inflation Adjustment		7.0
Program Changes:		
Military Personnel Compensation		1.2
Civilian Personnel Compensation		12.4
Travel & Transportation of Personnel		(1.2)
Material & Supplies		(0.2)
Equipment		(0.1)
Other Purchases from Revolving Funds		(7.3)
Transportation of Things		0.0
Depreciation		(7.8)
Printing & Reproduction		(0.3)
Advisory & Assistance Services		(5.1)
Rent, Communications, Utilities and Misc. Charges		(2.4)
Other Purchased Service		(22.6)
FY 2016 PB 2016 Estimate:		\$1,371.2

**Fiscal Year (FY) 2016 Budget Estimates
Sources of New Orders and Revenue
Defense Finance and Accounting Service
February 2015**

1. New Orders				FY 2014	FY 2015	FY 2016
a. Orders from DoD Components:						
APPN	Client	Customer				
Total Capital	DW	Defense Agency	Defense Finance and Accounting Service	5.8	6.1	9.3
Total Family Housing	Army	Army	Army Family Housing	0.0	0.0	0.8
O&M		Air Force	Core Work	248.3	279.0	256.3
O&M		Army	Core Work	493.4	505.8	517.2
O&M		Marine Corps	Core Work	44.8	52.0	50.1
O&M		Navy	Core Work	201.6	224.1	227.9
O&M	DW	Defense Agency	Business Transformation Agency	0.5	0.0	0.0
O&M	DW	Defense Agency	US Court of Appeals for the Armed Forces	0.0	0.0	0.0
O&M	DW	Defense Agency	Chemical Biological Defense Program	0.0	0.0	0.0
O&M	DW	Defense Agency	Defense Acquisition University	0.8	0.9	0.9
O&M	DW	Defense Agency	Defense Contract Audit Agency	4.2	4.3	4.6
O&M	DW	Defense Agency	Defense Contract Management Activity	5.9	6.7	6.6
O&M	DW	Defense Agency	Defense Health Program	29.2	33.6	35.9
O&M	DW	Defense Agency	Defense Human Resources Activity	1.7	2.3	2.5
O&M	DW	Defense Agency	Defense Intelligence Agency	0.5	1.1	1.2
O&M	DW	Defense Agency	Defense Information Systems Agency	11.0	11.2	11.7
O&M	DW	Defense Agency	Defense Logistics Agency	8.2	9.4	6.2
O&M	DW	Defense Agency	Defense Legal Services Agency	0.2	0.3	0.3
O&M	DW	Defense Agency	Defense Media Activity	1.2	1.1	1.2
O&M	DW	Defense Agency	Department of Defense Prisoner of War/Missing In Action Office	0.2	0.3	0.3
O&M	DW	Defense Agency	Department of Defense Comptroller	1.5	1.3	1.4
O&M	DW	Defense Agency	Department of Defense Education Activity	6.2	7.5	8.9
O&M	DW	Defense Agency	Department of Defense Inspector General	1.8	1.9	3.6
O&M	DW	Defense Agency	Defense Security Cooperation Agency	22.9	26.6	27.8
O&M	DW	Defense Agency	Defense Security Service	1.4	0.8	1.1
O&M	DW	Defense Agency	Defense Threat Reduction Agency	2.3	3.5	2.4
O&M	DW	Defense Agency	Defense Technology Security Administration	0.1	0.4	0.4
O&M	DW	Defense Agency	Joint Chief of Staff, Office	0.7	0.7	0.9
O&M	DW	Defense Agency	Military Housing Privatization Initiative	0.6	0.8	0.6
O&M	DW	Defense Agency	National Defense University	0.5	0.7	0.7
O&M	DW	Defense Agency	National Geospatial-Intelligence Agency	3.8	4.0	3.6
O&M	DW	Defense Agency	National Security Agency	1.2	1.5	1.5
O&M	DW	Defense Agency	Office of Economic Adjustment	0.3	0.3	0.4
O&M	DW	Defense Agency	Pentagon Force Protection Agency	0.2	0.3	0.3
O&M	DW	Defense Agency	Department of Defense, Office of	0.2	0.6	0.4
O&M	DW	Defense Agency	Special Operations Command	4.1	4.3	5.5
O&M	DW	Defense Agency	Washington Headquarters Service	4.5	4.3	4.4
Total O&M				1,104.3	1,191.7	1,186.6
RDT&E		Army	Army	0.0	0.0	0.0
RDT&E		Navy	Navy	1.9	1.8	1.8
RDT&E		Air Force	Air Force	0.0	0.0	0.0
RDT&E	DW	Defense Agency	Business Transformation Agency	0.0	0.0	0.0
RDT&E	DW	Defense Agency	Chemical Biological Defense Program	0.5	0.0	0.9
RDT&E	DW	Defense Agency	Center for Countermeasures	0.1	0.1	0.1
RDT&E	DW	Defense Agency	Defense Advanced Research Projects Agency	2.2	2.4	3.0
RDT&E	DW	Defense Agency	Defense Logistics Agency	1.3	0.0	0.0
RDT&E	DW	Defense Agency	Defense Technical Information Center	3.0	3.7	3.2
RDT&E	DW	Defense Agency	Missile Defense Agency	3.3	4.6	4.7
RDT&E	DW	Defense Agency	Washington Headquarters Service	0.0	0.0	0.0
Total RDT&E				12.4	12.6	13.8
a. Total Orders from DoD Components:				1,122.5	1,210.4	1,210.4

**Fiscal Year (FY) 2016 Budget Estimates
Sources of New Orders and Revenue
Defense Finance and Accounting Service
February 2015**

				FY 2014	FY 2015	FY 2016
b. Orders from Other Fund Activity Groups						
APPN		Client	Customer			
WCF		Air Force		7.3	8.7	7.5
WCF		Army		13.3	16.0	10.7
WCF		Marine Corps		1.3	1.6	1.5
WCF		Navy		36.8	35.3	39.9
WCF	DW	Defense Agency	Defense Commissary Agency	16.1	18.3	17.3
WCF	DW	Defense Agency	Defense Information Systems Agency-DITCO	9.0	9.7	10.6
WCF	DW	Defense Agency	Defense Logistics Agency	50.5	67.0	60.4
WCF	DW	Defense Agency	Military Traffic Management Command	2.2	3.4	2.3
WCF	DW	Defense Agency	TRANSCOM	6.7	7.1	8.5
WCF	DW	Defense Agency	Defense Technical Information Center	0.0	0.0	0.0
WCF	DW	Defense Agency	Defense Technology Security Administration	0.3	0.0	0.0
WCF	DW	Defense Agency	Washington Headquarters Service	0.0	0.0	0.0
WCF	DW	Defense Agency	Pentagon Force Protection Agency	0.0	0.0	0.0
b. Total Orders from Other Fund Activity Groups				143.4	167.1	158.8
c. Total DoD				1,265.9	1,377.6	1,369.2
d. Other Orders						
		US Dept of Treasury	US Dept of Treasury	0.8	0.0	0.0
		US Dept of Veteran Affairs	US Dept of Veteran Affairs	32.1	28.6	35.5
		US Dept of Energy	US Dept of Energy	1.0	1.0	1.2
		US Dept of Health Human Services	US Dept of Health Human Services	7.7	3.3	0.1
		US Corps of Engineers	US Corps of Engineers	3.3	4.0	4.0
		Department of Homeland Security	Department of Homeland Security	0.0	0.0	0.1
		Director of National Intelligence	Director of National Intelligence	0.3	0.0	1.9
		Environmental Protection Agency	Environmental Protection Agency	1.0	0.0	0.0
		US Coast Guard	US Coast Guard	0.0	0.0	0.0
		Executive Office of the President	Executive Office of the President	0.1	0.0	0.2
		Broadcast Board of Govenors	Broadcast Board of Govenors	0.1	0.1	0.2
		Foreign Military Sales	Foreign Military Sales	0.0	0.0	0.0
		Commercial (Citi, EDS, etc)	Commercial	0.5	0.0	0.1
d. Total Other Orders				47.0	37.1	43.3
1. Total New Orders				1,312.9	1,414.7	1,412.5
2. Carry-In Orders				0.0	0.0	0.0
3. Total Gross Orders				1,312.9	1,414.7	1,412.5
4. Carry-Out Orders				0.0	0.0	0.0
5. Gross Sales				1,312.9	1,414.7	1,412.5
6. Credit				0.0	0.0	0.0
7. Net Sales				1,312.9	1,414.7	1,412.5

**Fiscal Year (FY) 2016 Budget Estimates
Revenue and Costs
Defense Finance and Accounting Service
February 2015
(Dollars in Millions)**

	FY2014	FY2015	FY2016
Revenue			
Gross Sales			
Operations	1,268.0	1,377.2	1,382.1
Depreciation except Major Construction	44.9	37.5	30.4
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:	1,312.9	1,414.7	1,412.5
Costs			
Salaries and Wages:			
Military Personnel Compensation & Benefits	5.6	2.8	4.1
Civilian Personnel Compensation & Benefits	920.7	975.0	999.4
Travel & Transportation of Personnel	4.1	6.3	5.2
Materials & Supplies (Internal Operations)	1.7	2.4	2.3
Equipment	6.0	7.2	7.2
Other Purchases from Revolving Funds	123.3	117.6	112.3
Transportation of Things	0.5	0.6	0.6
Depreciation - Capital	44.9	48.7	41.7
Printing and Reproduction	4.0	4.3	4.1
Advisory and Assistance Services	19.0	28.4	23.8
Rent, Communications, Utilities, & Misc. Charges	34.6	38.0	36.3
Other Purchased Services	130.3	154.4	134.3
Total Expenses	1,294.7	1,385.7	1,371.2
Operating Result	18.2	29.0	41.3
Depreciation, Non-DWCF Acquired PP&E	11.2	11.3	11.2
Adjustments to NOR	0.0	0.0	0.0
Net Operating Result	29.4	40.2	52.5
PY AOR	-41.1	-11.7	28.6
AOR Adjustments	-	-	-81.1
Accumulated Operating Results	-11.7	28.6	0

Exhibit Fund-14 Revenue and Costs

**DEFENSE INFORMATION SYSTEMS AGENCY
FISCAL YEAR (FY) 2016
BUDGET ESTIMATES**



**DEFENSE WORKING CAPITAL FUND
INFORMATION SERVICES**

February 2015

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

Information Services Activity Group: Overview

FISCAL YEAR (FY) 2016 BUDGET ESTIMATES

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

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

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Revenue	\$7,119.7	\$8,249.7	\$8,825.3
Cost	\$7,002.8	\$8,184.1	\$8,720.7
Net Operating Result (NOR)	\$116.9	\$65.5	\$104.6
Other Factors Affecting NOR**	\$0.0	\$0.0	(\$62.0)
Prior Year Accumulated Operating Results (AOR)	\$114.2	\$231.2	\$67.6
Ending AOR	\$231.2	\$296.7	\$110.2
Retained AOR	\$0.0	\$229.1	\$110.2
Total Retained AOR***	\$0.0	\$229.1	\$339.3
AOR for Budget Purposes	\$231.2	\$67.6	\$0.0
Capital Budget	\$53.6	\$88.0	\$48.8
Civilian Work Years	3,349	3,541	3,579
Military End Strength	79	88	75

*The table above provides a summary of the financial accounts and personnel levels reflected in this budget request for the Information Services activity group. FY 2014 data are actual results.

** JRSS sustainment added to DSS only recognized revenue not cost. Cost will be recognized at a later date.

***Retention of AOR through FY 2016 in order to recapitalize the fund and provide increased operational flexibility.

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

The DoD Joint Information Environment (JIE) is designed to create an enterprise information environment that optimizes use of the DoD IT assets, converging communications, computing, and enterprise services into a single joint platform that can be leveraged for all Department missions. These efforts improve mission effectiveness, reduce total cost of ownership, reduce

the attack surface of our networks, and enable DISA’s mission partners to more efficiently access the information resources of the enterprise to perform their missions from any authorized IT device anywhere in the world. DISA continues its efforts towards realization of an integrated Department-wide implementation of the JIE through development, integration, and synchronization of JIE technical plans, programs and capabilities.

DISA is uniquely positioned to provide the kind of streamlined, rationalized enterprise solutions the Department is looking for to effect IT transformation. DISA owns/operates enterprise and cloud-capable Defense Enterprise Computing Centers (DECCs), the world-wide Defense Information Systems Network (DISN), and the Defense IT Contracting Organization (DITCO). The DECCs routinely see workload increases – this trend will increase as major new initiatives begin to fully impact the Department. As part of the Department’s transition to the Joint Information Environment (JIE), eight of DISA’s DECCs have been identified as Continental United States (CONUS) Core Data Centers (CDCs), and Defense Enterprise Email (DEE) has been identified as a DoD Enterprise Service. DISA also anticipates continuation of partnerships with other federal agencies. The DoD/VA Integrated Electronic Health Record (iEHR) agreement to host all medical records in the DECCs and the requirement for DoD to provide Public Key Infrastructure (PKI) services to other federal agencies on a reimbursable basis are examples. We continue to move forward on enterprise email for Army, Air Force, Joint Staff, and others; we have completed an agreement with Army to consolidate optical networks in Europe with other geographical regions to follow, and we continue to operate an Enterprise License Agreement (ELA) line of business with a low fee of 0.5 percent.

This budget proposes significant savings and efficiencies that will allow for reduced costs across the Department. By incorporating these efficiencies and prior year operating results, DISA is able to offer Enterprise and IT services at a reduced rate while still addressing increasing demand for services and providing recapitalization of the fund.

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

Rate Changes for Major Programs

	FY 2016 Rate/Fee	Percent Change
DISN Subscription Services Share Price	\$137,500	-9.3%
Standard Contracting Fee	2.5%	0.00%
Enterprise License Agreement Contracting Fee	0.5%	0.00%
Computing Services Composite Change	-	-10.01%

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

FISCAL YEAR (FY) 2016 BUDGET ESTIMATES

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

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

DISA continues to experience workload growth at the DECCs as missions previously hosted by DoD Components migrate to DISA. This budget reflects conservative estimates of workload growth combined with aggressive cost savings measures to achieve a 10 percent aggregate rate reduction in FY 2016. DISA is able to achieve significant cost savings through management efficiency initiatives such as the conversion of contractors to civilians, help desk labor reductions as DISA transitions to a Service Support Environment (SSE) beginning in FY 2015, increased staffing ratio targets which lead to reductions in system administration, service desk, and security information assurance contractor staffing at the DECCs, and cost savings in security, production overhead, general and administrative costs. In addition, Computing Services is eliminating 102 civilian and contractor billets effective FY 2016 due to internal efficiencies.

The subsequent chart provides a summary of the major financial accounts and personnel levels in this submission. DISA proposes maintaining an accumulated operating result of -\$29.8 million at the end of FY 2016, which will be offset by profits in the Telecommunications Services/Enterprise Acquisition Services business area. Additional details on operating cost and rates are discussed in later sections.

**Computing Services
Key Budget Data**

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Revenue	\$955.7	\$1,103.6	\$1,097.2
Cost	\$958.8	\$1,099.3	\$1,097.2
Net Operating Result	(\$3.1)	\$4.4	\$0.0
Prior Year Accumulated Operating Results (AOR)	(\$31.0)	(\$34.1)	(\$29.8)
AOR for Budget Purposes	(\$34.1)	(\$29.8)	(\$29.8)
Capital Budget	\$36.5	\$49.6	\$47.7
Civilian Work years	1,886	2,009	2,021
Military End Strength	5	6	6

*Fiscal Year 2014 data are actual results.

Overview

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

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

- 22 mainframes
- Almost 12,000 servers
- Approximately 50,000 terabytes of storage
- Approximately 368,000 square feet of raised floor
- Survivable connectivity to the Defense Information Systems Network core

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

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

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

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

Highlights

This submission includes budgeted savings from the FY 2015 baseline in FY 2016 through cost reductions of \$49.3 million. As discussed above, these savings will be achieved by a combination of cost cutting initiatives such as reductions in help desk civilian and contractor labor, increased staffing ratio targets, contractor to civilian conversions, and reductions in security, production overhead, general and administrative costs. DISA will also eliminate 102 civilian and contractor billets in FY 2016. In addition, DISA anticipates lower contract costs for storage—a significant driver of direct costs for many Computing Services service offerings, to include DoD Enterprise Email. These substantial decreases in operating costs are masked by increases in workload for rate based and reimbursable services.

Computing Services provides a variety of enterprise infrastructure services that continue to move the Department’s data processing toward more centralized and standardized solutions. The Enterprise infrastructure enables a collaborative environment and trusted information sharing

end-to-end that can adapt to rapidly changing conditions with the goal of *protected data on protected networks*. DoD Enterprise Email, DoD Enterprise Portal Service, GIG Content Delivery Service, and milCloud are capabilities that align with this strategic vision and leverage the power of the DECCs on the Department of Defense Information Network. These services are discussed in further detail below:

DoD Enterprise Email (DEE) has officially been designated by DoD CIO as the enterprise email capability for the Department. DEE provides enterprise email capability to the end user at any location globally in a secure manner. Computing Services has developed this email service for customers who require seamless collaboration across an entire Department, as well as email capabilities that are both network-enabled and commander-centric.

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

DISA will be providing an additional offering for DEE giving mission partners the flexibility for managing DEE costs based on mailbox storage requirements. In addition to providing the Basic/Business offering for those users requiring up to 4GBs of storage, DISA has established a Premium offering for accounts requiring up to 10GBs of storage.

Additionally, optional capabilities such as journaling and mobile device support are available to customers at an additional charge. Journaling is a service that permanently saves each message that a specified user sends or receives and may be required for some flag officers, high ranking appointees and Senior Executive Service members. Customers will be charged based on the number of gigabytes of storage used beginning FY 2015. Furthermore, DISA is offering a service to provide mobile support to customers billed on a per device basis. This service supports legacy BlackBerry devices and has now been enhanced to also support the new BlackBerry 10 (i.e. BBZ10) smart-phone capability.

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

Subscribing organizations brand their sites and manage their content in order to satisfy mission requirements. Mission partners with Client Access Licenses (CALs) will have the platform to

include a suite of MS Office Web applications—the Web browser versions of Word, PowerPoint, Excel and OneNote. DEPS provides location and device-independent access to documents and preserves the user interface across end user devices.

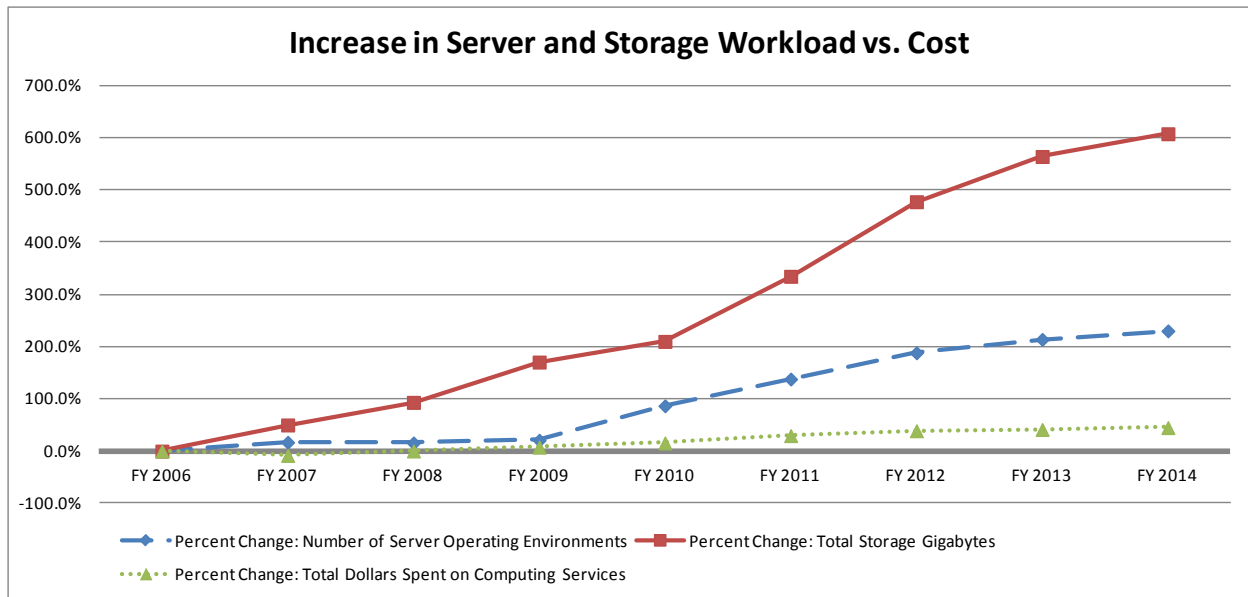
Dedicated environments are offered for Medium through Extra Large storage environments, with the ability to support user capacity from 50,000 users, up to 200,000 users. Additionally, customizable site structures and content configurations are available with the ability to leverage existing taxonomy to support unique mission requirements.

GIG Content Delivery Service (GCDS) has been designated as the DoD enterprise solution for distributed content caching by the DoD CIO. GCDS provides the capability to bring web content and applications closer to the end-user, minimizing download times and increasing connection speed by forward-staging information across the Defense Information Systems Network (DISN). The service currently covers 85 regions and is in 12 countries around the world. In certain cases, GCDS hardware is hosted at Defense Enterprise Computing Centers, but is also hosted in bases, camps, and stations around the world. The sustainment costs of the service are included in the DISN subscription share price, as the network performance gains that GCDS is able to deliver benefit DISN customers. Customers requiring customization of their GCDS environment work with DISA Computing Services and are charged on a reimbursable basis for implementation costs, including consulting and advanced engineering services. This submission includes higher projected costs for dual operations of GCDS as the current contract is re-competed.

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

Computing Services Trends: Increasing Workload and Efficiency

As shown in the subsequent table, demand for DISA's server and storage computing services has grown significantly since FY 2006. Since that year, the number of customer driven server operating environments (OEs) has increased by 230 percent, and total storage gigabytes have increased by 607 percent. Over the same timeframe, the cost to deliver all computing services has increased by only 45 percent. In short, customers are demanding considerably more services and are at the same time benefiting from DISA's unique ability to leverage robust computing capacity at the DECCs.



MAJOR CHANGES BETWEEN FISCAL YEARS

Computing Services Cost of Operations

(\$ in millions)	FY 2014	FY 2015	FY 2016
FY 2015 President's Budget	\$1030.4	\$1,041.5	-
FY 2016 Current Estimates	\$958.8	\$1,099.3	\$1,097.2
Change FY 2015 President's Budget to Current Estimate	(\$71.6)	\$57.8	-
Change FY 2015 Current Estimate to FY 2016 Current Estimate	-	-	(\$2.1)

*Fiscal Year 2014 data of current estimates are actual results.

FY 2015 President's Budget Submission to FY 2015 Current Estimate

Computing Services' FY 2015 cost of operations increases by a net of \$57.8 million from the FY 2015 President's Budget.

Of the increase, \$30.2 million is due to dual ops on the Processor Capacity Services contract. An additional \$16.3 million of the increase is due to delays in the implementation of security efficiencies and the planned Service Support Environment (SSE) service desk consolidation, as well as in achieving previously planned staffing ratio targets. Delays in the transition to the new Storage Capacity Services contract as well as anticipated dual operations on the GCDS contract also increase costs by \$4.8 million and \$15.2 million, respectively. Costs also increase \$10.2 million for communications engineering support for NIPRNet, SIPRNet, and DMZ activities and due to a one-time legal protest of a contract award. An additional \$8.3 million of the increase is due to increased customer funded DEE workload. Computing Services is also investing \$12.8

million in automation and other MilCloud infrastructure in order to support additional customer workload and achieve future efficiencies.

These increases are partially offset by reductions in production overhead, general and administrative expenses, and contract labor of \$6.3 million. This submission also includes reduced depreciation expenses of \$9.5 million as DISA implements a 15-year depreciation schedule for facilities projects. Lastly, estimates of customer demand for the Defense Enterprise Portal Service (DEPS) have not materialized, and therefore this submission assumes a reduction in workload of \$22.8 million. Other miscellaneous items account for the final \$1.4 million decrease.

FY 2015 Current Estimate to FY 2016 Current Estimate

The cost of operations from FY 2015 to FY 2016 is expected to decrease by a net of -\$2.1 million.

Included in this change are total savings of -\$65.4 million. These savings are made up of the following: management efficiency initiatives implemented across the DECCs, including insourcing of contractors to civilians, increased staffing ratio targets which lead to reductions in system administration, service desk, and information assurance staffing, and efficiencies in security, production overhead, and general and administrative costs (-\$31.5 million); a reduction of headquarters shared costs (-\$3.5 million); efficiencies in operations management (-\$4.3 million); workload reductions on labor contracts (-\$12.3 million); a decrease in hardware maintenance (-\$1.0 million); Joint Enterprise License Agreement efficiencies (-\$1.0 million); the removal of a one-time cost resulting from a contract protest (-\$2.3 million); a reduction to the DISN subscription share price (-\$0.6 million); and a decrease in projected workload for the DoD Enterprise Portal Service (-\$8.9 million).

These savings are partially offset by cost increases totaling \$63.4 million. Of this amount, \$15.8 million is due to inflation. In addition, there are increased costs of \$5.9 million in facilities projects, \$8.3 million due to enterprise software maintenance to support new workload, \$3.1 million due to the tech refresh of GCDS assets, \$8.0 million due to an increase in the Supercluster workload for the Processor Capacity services contract, \$1.0 million due to the increase of software costs for the IT Service Management contract, \$7.7 million due to an increase in depreciation as capital projects are completed, \$2.4 million due to the phasing in of FTEs to the normal operating level and the expansion of DISA's Pathway Program for recent graduates and interns, and \$10.9 million due to the delay in award of the Storage Capacity services contract and revised transition strategy.

Capital Investment Program Summary: Computing Services

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Equipment	\$27.9	\$37.5	\$38.2
ADPE and Telecom	\$0.0	\$0.5	\$2.5
Software	\$7.3	\$10.1	\$5.0
Minor Construction	\$1.3	\$1.5	\$2.0
Total Program Authority	\$36.5	\$49.6	\$47.7
FY 2015 President's Budget	\$49.2	\$49.6	
Change FY 2015 President's Budget to Current Estimates	(\$12.6)	\$0.0	-
Change FY 2015 Current Estimate to FY 2016 Current Estimate	-	-	(\$1.9)

*FY 2014 data are actual obligations.

FY 2015 President's Budget to FY 2015 Current Estimates:

The FY 2015 current estimate reflects no change from the FY 2015 President's Budget estimate.

FY 2015 Current Estimate to FY 2016 Current Estimate:

There is a \$1.9 million net decrease in capital requirements from FY 2015 to FY 2016. Of this, a \$0.75 million increase is required to support facilities upgrades for mechanical system upgrades, chillers, pumps, cooling towers, generators and Uninterruptable Power Supply units at DECCs San Antonio and Columbus. ADPE & Telecom increases \$2.0 million due to an Enterprise Unified Communications Project. Minor construction increases \$0.5 million which includes electrical capability upgrades at Columbus and San Antonio. Software decreases \$5.1 million due to completion of several software management tools projects. Together, these facility and data center administration tool upgrades will aid in better aligning the DECC footprint with the goals set forth in the DoD Information Technology Enterprise Services Roadmap.

Civilian Personnel

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Civilian End Strength	1,876	2,083	2,043
Civilian Full Time Equivalents	1,886	2,009	2,021
Civilian Labor Cost	\$226.2	\$233.5	\$239.8

*Fiscal Year 2014 data are actual results.

End strength and full-time equivalents (FTEs) are significantly reduced in FY 2014 due to personnel restructuring that delayed staffing. Due to the delay in staffing, hiring actions to support customer-funded workload are reflected in FY 2015 civilian manpower levels, resulting in a net increase of 123 FTEs from FY 2014 to FY 2015.

Civilian manpower increases by a net of 12 FTEs in FY 2016. This is primarily due to an increase to support customer-funded workload as well as an effort to reduce costs by converting contractor positions to government civilian positions. These increases are partially offset by efficiencies in operations management and the elimination of positions as part of efficiency savings.

Military Personnel

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Military End Strength	5	6	6
Military Labor Costs	\$0.9	\$0.9	\$0.9

*Fiscal Year 2014 data are actual results.

This submission represents the three year average fill rate for Computing Services in accordance with DoD financial policy. Military personnel cost remains unchanged from the approved FY 2015 President’s Budget for FY 2014 and FY 2015.

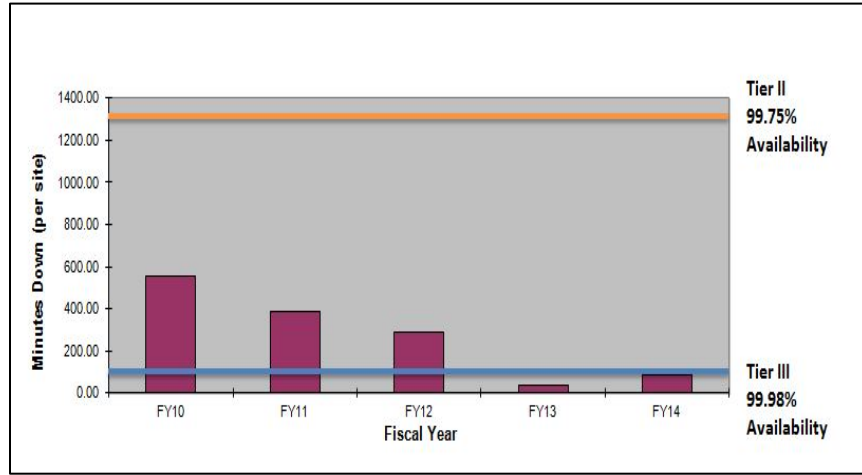
Performance Measures

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

Computing Services Performance Measures

The two metrics depicted in the subsequent tables reflect the availability of critical applications in the Defense Enterprise Computing Centers. The first metric, “Core Data Center Availability,” expressed as a percentage of availability, represents application availability from the end user’s perspective and includes all outages or downtime regardless of root cause or problem ownership. Tier II requires achieving 99.75% availability, which results in about 1,315 minutes of downtime per year. Tier III, the standard for all DoD-designated Core Data Centers, requires achieving 99.98% availability, which results in about 105 minutes of downtime per year. A continuing series of electrical and mechanical investments in the DISA DECC facilities since 2008 have resulted in a steady decline in facility downtime. The second metric, “Capacity Service Contract Equipment Availability” represents DISA’s equipment availability by technology, i.e., how well DISA is executing its responsibilities exclusive of factors outside the agency's control such as last mile communications issues, base power outages or the like. The *Threshold* refers to system uptime and capacity availability for intended use; this is the level required by contract. The *Objective* is the value agreed on by the vendor and the government to be an ideal target, and *Actual* is reported by the vendor monthly.

Core Data Center Availability



Capacity Service Contract Equipment Availability

Technology	Threshold	Objective	Actual
IBM System z Mainframe	99.95%	99.99%	100%
Unisys Mainframe	99.95%	99.99%	99.999%
P Series Server	99.95%	99.99%	100%
SPARC Server	99.95%	99.99%	100%
x-86 Server	99.95%	99.99%	99.999%
Itanium	99.95%	>99.95%	100%
Storage	99.95%	>99.95%	99.95%
Communications Devices	99.95%	>99.95%	99.95%

Changes in the Costs of Operations
Defense Information Systems Agency
COMPUTING SERVICES
February 2015
(Dollars in Millions)

FY 2014	Actual	958.775
FY 2015	Estimate in FY 2015 President's Budget	1,041.484
	<i>ESD Management-efficiency initiatives:</i>	
	Savings associated with security reductions, Single Security Environment/Helpdesk consolidation, and increased staffing ratio targets for application hosting will not be realized at the levels previously planned	16.307
	Reduction in production overhead, G&A, and contract labor	(6.628)
	<i>Program Changes:</i>	
	Global Content Delivery Service (GCDS) dual operations and/or tech refresh as the service transitions to a new contract	15.225
	Delay in the award/transition to the new storage capacity services contract	4.815
	Parallel processing due to a delayed transition to the new processor capacity services contract	30.151
	One-time legal protest of contract workload	2.263
	Increased communications engineering support for NIPR/SIPR & Demilitarized Zone (DMZ) workload	4.447
	Civilian labor increase in support of new workload	3.451
	Decrease in depreciation expenses as a result of moving to a 15 year depreciation schedule for facilities	(9.499)
	Travel reduction	(0.827)
	<i>Workload Changes:</i>	
	Increased customer adoption of DoD Enterprise Email	8.325
	Reduced workload estimates for DoD Enterprise Portal Service	(22.807)
	Increased customer migration to milCloud	12.793
	Workload reduction for SyNaps	(0.538)
	<i>Miscellaneous</i>	0.311
FY 2015	Current Estimate	1,099.273

Changes in the Costs of Operations
Defense Information Systems Agency
COMPUTING SERVICES
February 2015
(Dollars in Millions)

FY 2015	Current Estimate	1,099.273
	<i>Pricing Adjustments:</i>	
	Non-Labor Inflation	12.963
	Civilian/Military Pay Raise	2.265
	Annualization of Civ/Mil Pay Raise	0.586
	<i>ESD Management-efficiency initiatives:</i>	
	Increased staffing ratio targets for application hosting	(6.616)
	In-sourcing of contractor personnel to government positions	(2.596)
	Efficiencies in production overhead, G&A, and security	(22.308)
	<i>Program Changes:</i>	
	Civilian labor increases due to the expansion of the agency's Pathway Program for recent graduates and interns	2.354
	Increase in depreciation expenses due to completion of facilities projects	7.682
	Reduced overhead allocation of headquarters cost due to various management efficiencies	(3.520)
	Efficiencies in operations management	(4.313)
	Decrease in costs as a result of lower FY 2016 DISN Subscription Services share price	(0.635)
	Completion of one-time legal protest of contract	(2.263)
	Increase in facilities projects to align with JIE strategy	5.923
	Savings from expanded use of Joint Enterprise License Agreement	(1.000)
	Increased enterprise software maintenance in support of new customer-driven workload	8.324
	Tech refresh to update GCDS assets	3.103
	Increase in software costs for the IT Service Management contract, a suite of enhanced and automated tools providing enterprise-wide Information Technology Infrastructure Library	1.022
	Decrease in hardware maintenance for the communications contract	(1.000)
	Increase processor capacity services contract associated with Army-funded workload for Oracle's SuperCluster engineered system	7.986
	Dual operations for storage capacity services during the transition to a new contract	10.883
	<i>Workload Changes:</i>	
	Reduction in DoD Enterprise Email and DoD Enterprise Portal Service implementation costs	(8.900)
	Decrease in labor contracts supporting enterprise service offerings (DEE and DEPS) as well as specific requirements for the Defense Logistics Agency	(12.273)
	<i>Miscellaneous</i>	0.277
FY 2016	Current Estimate	1,097.217

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)**

	2014	2015	2016
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$503.423	\$651.393	\$663.613
ARMY APPROPRIATED	\$104.577	\$167.056	\$180.072
Army O&M	\$101.654	\$166.496	\$179.533
Army RDT&E	\$0.523	\$0.533	\$0.516
Army Procurement	\$2.400	\$0.027	\$0.023
Army MILCON	\$0.000	\$0.000	\$0.000
Army BRAC	\$0.000	\$0.000	\$0.000
NAVY APPROPRIATED	\$34.733	\$44.398	\$41.656
Navy O&M	\$34.684	\$44.385	\$41.643
Navy RDT&E	\$0.049	\$0.013	\$0.013
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	\$30.574	\$28.007	\$33.258
Marine Corps O&M	\$30.574	\$28.007	\$33.258
Marine Corps RDT&E	\$0.000	\$0.000	\$0.000
Marine Corps Procurement	\$0.000	\$0.000	\$0.000
Marine Corps MILCON	\$0.000	\$0.000	\$0.000
Marine Corps BRAC	\$0.000	\$0.000	\$0.000
AIR FORCE APPROPRIATED	\$111.801	\$166.582	\$139.057
AF O&M	\$100.004	\$159.251	\$132.348
AF RDT&E	\$11.679	\$7.331	\$6.709
AF Procurement	\$0.118	\$0.000	\$0.000
AF MILCON	\$0.000	\$0.000	\$0.000
AF BRAC	\$0.000	\$0.000	\$0.000
DISA APPROPRIATED	\$105.101	\$118.621	\$107.742
DISA O&M	\$102.431	\$116.181	\$105.351
DISA RDT&E	\$2.614	\$2.417	\$2.378
DISA Procurement	\$0.056	\$0.023	\$0.013
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DEFENSE WIDE APPROPRIATED	\$32.757	\$44.271	\$72.439
Defense Wide Appropriated O&M	\$26.273	\$36.771	\$63.968
Defense Wide Appropriated RDT&E	\$5.703	\$6.847	\$7.670
Defense Wide Appropriated Procurement	\$0.781	\$0.653	\$0.801
Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
Defense Wide Appropriated BRAC	\$0.000	\$0.000	\$0.000
OTHER DoD APPROPRIATED	\$83.880	\$82.458	\$89.389

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)**

	2014	2015	2016
Other DoD Appropriated O&M	\$83.196	\$82.435	\$89.367
Other DoD Appropriated RDT&E	\$0.661	\$0.000	\$0.000
Other DoD Appropriated Procurement	\$0.023	\$0.023	\$0.022
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	\$446.723	\$446.325	\$427.777
ARMY - WCF	\$1.727	\$1.761	\$1.642
Army Industrial Operations	\$1.727	\$1.761	\$1.642
NAVY - WCF	\$18.212	\$15.200	\$16.131
Navy Depot Maintenance	\$4.380	\$4.555	\$3.648
Navy Base Support	\$0.000	\$0.000	\$0.000
Navy Supply Management	\$13.142	\$10.300	\$12.251
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance	\$0.000	\$0.000	\$0.000
Other Navy Activity Groups	\$0.690	\$0.345	\$0.232
AIR FORCE - WCF	\$34.463	\$32.320	\$29.654
Consolidated Sustainment Activity Group (CSAG)	\$13.945	\$12.209	\$11.507
U.S. Transportation Command (TRANSCOM)	\$20.518	\$20.111	\$18.147
DEFENSE WIDE WCF	\$391.114	\$394.995	\$378.502
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	\$94.994	\$115.059	\$115.573
DISA Computing Services (CSD)	\$0.000	\$0.000	\$0.000
Defense Finance and Accounting Service (DFAS)	\$102.447	\$105.381	\$99.323
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$7.799	\$7.082	\$6.671
DLA Supply Chain Management	\$185.874	\$167.473	\$156.935
DEFENSE COMMISSARY AGENCY (DECA)	\$0.001	\$0.583	\$0.568
DECA Operations	\$0.001	\$0.583	\$0.568
DECA Resale	\$0.000	\$0.000	\$0.000
OTHER - WORKING CAPITAL	\$1.206	\$1.466	\$1.280
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	\$950.146	\$1,097.718	\$1,091.390
d. OTHER ORDERS	\$5.507	\$5.923	\$5.823

Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
OTHER FEDERAL AGENCIES	\$5.507	\$5.923	\$5.823
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	\$955.653	\$1,103.641	\$1,097.213
2. Carry In Orders	\$0.000	\$0.000	\$0.000
3. TOTAL GROSS ORDERS	\$955.653	\$1,103.641	\$1,097.213

Revenue and Expenses
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
Revenue			
Gross Sales	\$955.653	\$1,103.641	\$1,097.213
Operations	\$939.144	\$1,082.590	\$1,068.480
Capital Surcharge	\$0.000	\$0.000	\$0.000
Depreciation	\$16.509	\$21.051	\$28.733
Other Income	\$0.000	\$0.000	\$0.000
Refunds/Discounts (-)	\$0.000	\$0.000	\$0.000
Total Income:	\$955.653	\$1,103.641	\$1,097.213
Costs			
Cost of Material Sold from Inventory	\$0.000	\$0.000	\$0.000
Salaries and Wages:	\$227.090	\$234.379	\$240.717
Military Personnel Compensation & Benefits	\$0.914	\$0.917	\$0.907
Civilian Personnel Compensation & Benefits	\$226.176	\$233.462	\$239.810
Travel & Transportation of Personnel	\$1.692	\$2.228	\$2.223
Materials & Supplies (For internal Operations)	\$0.817	\$1.019	\$1.032
Equipment	\$0.000	\$0.000	\$0.000
Other Purchases from Revolving Funds	\$28.867	\$30.564	\$29.821
Transportation of Things	\$0.208	\$0.118	\$0.118
Depreciation - Capital	\$16.509	\$21.051	\$28.733
Printing and Reproduction	\$0.004	\$0.023	\$0.023
Advisory and Assistance Services	\$0.000	\$0.000	\$0.000
Rent, Comm, Utilities, & Misc. Charges	\$274.191	\$306.351	\$279.270
Other Purchased Services	\$409.377	\$503.540	\$515.280
Total Costs	\$958.755	\$1,099.273	\$1,097.217
Operating Results	(\$3.102)	\$4.368	(\$0.004)
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	(\$3.102)	\$4.368	(\$0.004)
Prior Year AOR	(\$24.887)	(\$34.142)	(\$29.774)
Other Changes Affecting AOR	(\$6.153)	\$0.000	\$0.000
Total AOR	(\$34.142)	(\$29.774)	(\$29.778)
Retained AOR	\$0.000	\$0.000	\$0.000
Cumulative Retained AOR	\$0.000	\$0.000	\$0.000
AOR for Budget Purposes	(\$34.142)	(\$29.774)	(\$29.778)

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

FISCAL YEAR (FY) 2016 BUDGET ESTIMATES

The *Telecommunications Services* component of the *Information Services Activity Group* provides a set of high quality, reliable, survivable, and secure telecommunications services to meet the Department's command and control requirements. The major component of Telecommunications Services is the Defense Information Systems Network (DISN). The DISN provides the interoperable telecommunications connectivity and value-added services required to plan, implement, and support operational missions through dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services. The robustness of this telecommunications infrastructure has been demonstrated by DISA's repeated ability to meet terrestrial and satellite surge requirements in Southwest Asia while supporting disaster relief and recovery efforts throughout the world. Overall, the DISN provides a lower customer price through bulk quantity purchases, economies of scale and reengineering of current communication services. Some of the DISN services are provided to customers in pre-defined packages and sold on a subscription basis, while other services are sold individually on a cost reimbursable basis. This submission includes significant efforts to reduce information technology and telecommunications costs across the Department, including partnering with Army to implement Joint Regional Security Stacks, continued elimination of legacy systems and replacement with IP-based services, and efficiencies in network security requirements across the DISN. These efforts are discussed in detail on the following pages.

The *Enterprise Acquisition Services* component is the Department's ideal source for procurement of best-value and commercially competitive information technology. Enterprise Acquisition Services provides contracting services for information technology and telecommunications acquisitions from the commercial sector and provides contracting support to the DISN programs, as well as to other DISA, DoD, and authorized non-Defense customers. This budget reflects significant projected workload growth for Enterprise Licensing Agreements (ELAs). Although customer adoption of ELAs had been slower than expected in FY 2014, growth in this area is expected and will enable the Department to capitalize on economies of scale for software purchases.

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

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Revenue	\$6,164.1	\$7,146.0	\$7,728.0
Cost	\$6,044.0	\$7,084.8	\$7,623.5
Net Operating Result	\$120.0	\$61.2	\$104.6
Other Factors Affecting NOR**	\$0.0	\$0.0	(\$62.0)
Prior Year Accumulated Operating Results (AOR)	\$145.3	\$265.3	\$97.4
Total AOR	\$265.3	\$326.5	\$140.0
Retained AOR	\$0.0	\$229.1	\$110.2
Total Retained AOR	\$0.0	\$229.1	\$339.3
AOR for Budget Purposes	\$265.3	\$97.4	\$29.8
Capital Budget	\$17.1	\$38.4	\$1.0
Civilian Work years	1,463	1,532	1,558
Military End Strength	74	82	69

*Fiscal Year 2014 data are actual results.

** JRSS sustainment added to DSS only recognized revenue not cost. Cost will be recognized at a later date.

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

In FY 2015 and FY 2016, stabilized rates are set to recapitalize the cash corpus of the fund and improve DISA's unobligated balance. As shown in the above summary chart for Telecommunication Services/Enterprise Acquisition Services, DISA plans to retain \$339.3 million of accumulated operating results through FY 2016. This retained AOR will allow DISA to remain operationally flexible as new requirements such as Government-wide Accounting (GWA) and associated daily cash reporting will increase the volatility of cash levels. Additional details on TS/EAS operating cost and rates are discussed in later sections.

Telecommunications Services Program Structure

The table below illustrates DISA’s telecommunication service offerings and the major cost centers that support those offerings:

DISN Program Element	Program Function	Program Sub-Function	Product Offering/Description
DISN SUBSCRIPTION SERVICE	Real Time Services	Voice	Defense Switched Network (DSN) Defense Red Switch Network (DRSN)
			Video
		Data	Non-Secure Internet Protocol Network (NIPRNet) Secure Internet Protocol Network (SIPRNet) Joint Worldwide Intelligence Communications System (JWICS) DISN Leading Edge Services (DISN-LES) - <i>testing network</i>
		Interoperability	<i>Ensures hardware and software acquired from multiple sources functions with like products.</i>
	Transport	Bandwidth Management	Access Backbone
			Maintenance
		Core Sustaining Activities	Warehousing Minor Equipment Installation Other Sustaining Activities
			Transport Support
	Mission Assurance	Information Assurance Activities	Enterprise Cross Domain Services Network Operations of Enterprise Infrastructure Network Hardening PKI and Directories Secure Configuration Management
	Centralized Services		Operational Support Services
			Customer Support Services
			Connection Approval Office
			Network Services Support
	Security and Assurance	Field Security Operations (FSO)	Network Security Monitoring Command Cyber Readiness Inspections (CCRIs) Joint Regional Security Stack (JRSS)
Theater Network Operations		Network Oversight	
OTHER TELECOM SERVICES	Voice Services	Joint Hawaii Information Transfer System (JHITS)	
	Satellite Services	Commercial Satellite Services (COMSAT) Enhanced Mobile Satellite Services (EMSS) Mobile Satellite Service Broadband Global Access Network (MSS BGAN)	
	Other Services	Cross Domain Services (CDS) Joint Regional Security Stack (JRSS) Mobility Organizational Messaging DoD Enterprise Classified Travel Kit (DECTK) DoD COOP Integrated Network (DCIN) Circuit Integration Support Reimbursable legacy technologies (e.g., ATM and ISDN) Customer Funded Projects (CFP)	
	Mission Assurance	Public Key Infrastructure (PKI)	
	Security and Assurance	Field Security Operations (FSO)	

DISN Subscription Services

Highlights:

This submission includes a reduction to DISN Subscription Services costs in FY 2016. These cost savings, combined with prior year operating results and lower FY 2015 costs, result in a 9.3 percent reduction in the FY 2016 DISN Subscription Share Price. Details of how the savings will be achieved are discussed below.

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 subsequently, as well as for specialized services. This budget reflects much of DISA's key initiatives like expanding core implementation and sustaining activities for the joint information environment (JIE) architecture. Enhancements include: the joint DISA/Army effort to consolidate overlapping optical transport networks in Europe; router upgrades to improve diversity and support advanced multi-protocol label switching (MPLS) and IP routing technologies, which will bring the network in line with 100G connectivity; and Internet Access Point (IAP) expansion in CONUS and IAP Router upgrades in OCONUS to improve bandwidth utilization and reduce Internet latency and packet loss. Despite ongoing network expansion, decreased costs for transport services are planned due to continued efforts to eliminate and optimize legacy systems, improve bandwidth utilization, and transition to more cost effective circuit leases.

Voice Services provide day-to-day commercially competitive services plus unique secure military requirements. Voice Services include operation of the unclassified Defense Switched Network and the classified Defense Red Switch Network. This budget reflects the DoD's overarching technical strategy and directive to implement technology replacement of legacy systems with IP-converged services. The unclassified legacy service (DSN) will transition the current network infrastructure from a Time Division Multiplexing (TDM) circuit-switched network to an IP-based network by FY 2016.

Video Services provide global unclassified and classified video teleconferencing capabilities for the DoD and other government agencies. Consistent with the DoD's Unified Capabilities Master Plan, DISA has partnered with Industry to develop a Global Video Service for over 2.4 million users. This solution provides IM/Chat/presence, collaboration, and peer-to-peer and multi-user conferencing over an IP-based network. DISA began offering the next generation of video teleconferencing services in FY 2014 and will completely eliminate the legacy video service (DVS-G) infrastructure by FY 2016.

Data Services provide Secure Internet Protocol Router Network as well as Non-classified Internet Protocol Router Network capabilities. Additionally, Data Services includes IP transport for the Defense Intelligence Agency-managed Joint Worldwide Intelligence Communications System by providing comprehensive, worldwide, secure high-speed

multimedia, Top Secret/Sensitive Compartmented Information communications services for the DoD intelligence community and other federal agencies. Data Services also includes DISN Test and Evaluation Network support, which is used by the command, control, intelligence, and mission support communities to conduct development, certification, and operational test and evaluation activities to ensure programs meet network requirements prior to deployment.

The following items describe the activities necessary to maintain the DISN's operational capability and achieve the high-availability, secure, and robust service that our DoD customers require.

Operational Support Services provides the tools necessary to automate the operations, administration, maintenance, and provisioning/engineering activities for the DISN. These same tools give network managers/monitors the capability to "see" the network in real-time, a critical capability necessary to resolve crisis and other network events. This budget includes the elimination of a number of legacy service management systems by the end of FY 2016 as mission partners are migrated to IP-based technologies.

Mission Assurance activities support the DISN by designing and deploying proactive protections, deploying attack detection, and performing information assurance operations to ensure that adequate security is provided for information collected, processed, transmitted, stored, or disseminated on the Department of Defense Information Network (DODIN). These efforts include tasks associated with affording protection to telecommunications, information systems, and information technology that process sensitive and classified data as well as efforts to ensure the confidentiality, authenticity, integrity, and availability of the information and the systems. Specifically, this includes activities such as trusted identity and access management infrastructure enabling common access card logon to DoD systems and applications while facilitating secure net-centric information sharing and a host-based security system solution suite of tools allowing prevention, detection, tracking, reporting, and remediation of malicious computer-related activities and incidents across all DoD networks and information systems throughout the DoD Enterprise. This budget includes efforts to streamline and consolidate information assurance contracts in order to deliver savings to DISN customers while maintaining high levels of network security.

Security and Assurance Services enhance the security and availability of the Department of Defense Information Network (DODIN) by ensuring adherence to Information Assurance and Network Operations policies. Services to be recovered via the DISN share price are network security monitoring and oversight of sensors installed on the DISN backbone and Command Cyber Readiness Inspections. Additional security and assurance services are described in subsequent sections and are provided as separate reimbursable offerings.

Centralized Services are a group of critical mission support activities that support all DISN services. These services are critical in maintaining the DISN's operational capabilities and achieving the high-availability, secure, and robust services required by DISN

customers. The centralized services support all DISN products and services, and consist of the following groups:

- The **Connection Approval Office** approves secure interoperable connections in support of the operating forces and mission partners for applications, information systems and networks authorized to operate on the enterprise infrastructure.
- **Customer Support Services** operates the DISN Customer Call Center, located at Columbus, Ohio, to respond to customer incidents and connection issues 24 hours per day, 365 days per year.
- The **DISA Theater Network Operations Centers** monitors and reacts to real-time network traffic and events. The Theater Network Operations Centers and Field Commands are located in the Continental United States, Southwest Asia, Pacific, and Europe and are staffed 24 hours per day, 365 days per year.

As previously discussed, DISN services are bundled together and sold on a subscription package basis. The Department of Defense uses the matrix shown below to distribute costs to users based on two factors; the services they receive and the bandwidth DISA is required to provision in order to deliver those services. Each DISN site is assigned a number of shares based on the matrix, which combined with the per-share price, determines the total annual “subscription” for the military departments/agencies. The DISA updates the DISN site list annually based on input from the DoD components.

Subscription Service Package	Bandwidth Size				Number of Shares
	Small ≤DS3	Medium >DS3 to ≤OC3	Large >OC3 to ≤OC12	Mega >OC12	
Transport/ISR Only: No DISN Services	1	1	1	1	
Mission Essential: Any of the following - SIPRNet, NIPRNet, Unclassified Voice, Video Services	1	2	6	8	
Command and Control (C2): Any of the following with some form of Diversity - SIPRNet, NIPRNet, Unclassified Voice, Video Services	2	8	24	36	
C2 Plus: C2 with Joint Worldwide Intelligence Communications System or Classified Voice	5	10	30	40	
C2ISR: C2, Joint Worldwide Intelligence Communications System, Classified Voice, and Intelligence, Surveillance, and Reconnaissance (ISR)	8	16	48	72	

The table below provides a synopsis of DISN Subscription Services financial data for this budget submission, including the calculated share price:

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Transport	\$551.6	\$573.1	\$515.8
Real Time Services (voice, video, data, interoperability)	\$157.9	\$159.3	\$154.3
Mission Assurance (includes Security & Assurance Svcs)	\$199.4	\$245.3	\$220.8
Centralized Services			
Operational Support Services	\$166.4	\$169.6	\$159.0
Other Centralized Services	\$107.3	\$129.8	\$107.4
DISA Network Operations Centers	\$37.5	\$38.4	\$36.6
Total DISN Subscription Services Costs	\$1,220.0	\$1,315.4	\$1,193.9
Number of Sites	347	339	337
Number of Shares	8,778	8,849	9,129
Price Per Share (whole dollars)	\$148,753	\$151,579	\$137,500
Unit Cost Per Share (whole dollars)	\$138,984	\$148,653	\$130,780

*Fiscal Year 2014 data are actual results.

The table below shows the distribution of all subscription services shares by customer, as well as the associated cost to each customer (revenue collected by DISA) for FY 2015 and FY 2016.

Service/Agency (\$ in Millions)	FY 2015 Shares	FY 2015 Cost to Customer	FY 2016 Shares	FY 2016 Cost to Customer
Army	2,193	\$332.4	2,256	\$310.2
Navy	1,823	\$276.3	1,786	\$245.6
Marine Corps	458	\$69.4	477	\$65.6
Air Force	3,719	\$563.7	3,889	\$534.7
Defense Agencies	337	\$51.1	407	\$56.0
Other DoD	206	\$31.2	206	\$28.3
Other Federal and Non-Federal Agencies	113	\$17.1	108	\$14.9
TOTAL	8,849	\$1,341.3	9,129	\$1,255.2

The increase in shares shown in the above table indicates that the historical trend of increased customer demand for bandwidth and DISN services continues. As explained in further detail subsequently, customer-driven increases in shares drive program growth in customer accounts.

TS/EAS Trends: Increased Customer Demand for Network Services

As previously discussed, specific network services are packaged together and sold on a subscription basis. After consultation and coordination with subscription services customers, DISA develops a subscription services site and shares list each year. The number of shares assigned to a specific customer (at any particular site) are directly related to the amount of bandwidth provisioned at a site in order to meet the customer's demand and the types of DISN services that the customer requires at the site. Therefore, an increase in shares is an indication of increased customer demand for bandwidth and/or DISN services.

The table below shows 4.0 percent growth in customer demand as measured by number of shares over the most recent three-year period:

Service/Agency	Shares FY 2014	Change FY 2014 to FY 2016	Percent Change FY 2014 to FY 2016	Shares FY 2016
Army	2,177	79	3.6%	2,256
Navy	1,812	-26	-1.4%	1,786
Marine Corps	458	19	4.1%	477
Air Force	3,614	275	7.6%	3,889
Defense Agencies	376	31	8.2%	407
Other DOD	206	0	0.0%	206
Other Federal and Non-Federal Agencies	135	-27	-20.0%	108
TOTAL	8,778	351	4.0%	9,129

The table below illustrates that customer demand for DISN services and bandwidth continues to increase by displaying the change in number of sites by service package and bandwidth size over the most recent three-year period (FY 2014 to FY 2016).

Subscription Service Package	Bandwidth Size				Change in Number of Sites
	Small ≤DS3	Medium >DS3 to ≤OC3	Large >OC3 to ≤OC12	Mega >OC12	
Transport/ISR Only: No DISN Services	-1	+1	--	--	
Mission Essential: Any of the following - SIPRNet, NIPRNet, Unclassified Voice, Video Services	-7	+2	-5	+1	
Command and Control (C2): Any of the following with some form of Diversity - SIPRNet, NIPRNet, Unclassified Voice, Video Services	--	-4	-5	+12	
C2 Plus: C2 with Joint Worldwide Intelligence Communications System or Classified Voice	-4	--	-6	+5	
C2ISR: C2, Joint Worldwide Intelligence Communications System, Classified Voice, and Intelligence, Surveillance, and Reconnaissance (ISR)	--	--	-1	+2	

DISN Reimbursable Programs

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

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Commercial Satellite Services	\$485.9	\$522.6	\$535.0
Enhanced Mobile Satellite Services (Iridium)	\$100.0	\$120.8	\$138.1
Overseas Contingency Operations (OCO)	\$9.1	\$0.0	\$0.0
Customer-unique Projects	\$24.2	\$39.1	\$68.2
Joint Hawaii Information Transfer System	\$18.2	\$18.5	\$18.9
Organizational Messaging	\$39.2	\$20.3	\$20.6
Mobility	\$0.4	\$11.6	\$13.7
Public Key Infrastructure - Service to Other Federal Agencies	\$2.6	\$4.4	\$4.0
Security and Assurance Services	\$28.4	\$43.4	\$42.1
Defense Continuity of Operations Integrated Network	\$3.2	\$3.4	\$3.4
Cross Domain Services	\$9.4	\$11.2	\$11.6
DISA/Army Joint Regional Security Stack	\$4.2	\$62.8	\$94.9
Other Reimbursable Services	\$4.3	\$7.0	\$10.3
Total DISN Reimbursable Costs	\$729.1	\$865.1	\$960.9

*Fiscal Year 2014 data are actual results.

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

Enhanced Mobile Satellite Service (EMSS) is a global mobile satellite communications system that provides secure voice, data, paging, and messaging communications capabilities to DoD, non-DoD, and foreign subscribers as needed. This program also offers the Distributed Tactical Communications System, comprised of push-to-talk voice and data services that leverage the 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. Cost increases in FY 2016 are primarily attributable to increased depreciation costs for capital projects, as well as the planned increase for EMSS's multi-year Airtime contract, awarded in FY 2014.

Overseas Contingency Operations (OCO) (through FY 2014) include costs for bandwidth lease requirements that provide in-theater COMSATCOM capabilities for voice, data, imagery, broadcast, and teleconferencing networks.

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

The **Joint Hawaii Information Transfer System (JHITS)** provides voice, video, and data services to military bases in the state of Hawaii. Costs are estimated to remain stable through the budget year.

Organizational Messaging provides secure and guaranteed exchange of messages between DoD and non-DoD organizations, Allies, and the intelligence community (IC). In FY 2014, this service was modified to provide only mission critical messaging traffic in support of national security. Savings in FY 2015 reflect the transition of the current legacy messaging services to Information Transport Services (ITS). Support will continue for automated message handling systems by using legacy national gateway centers as infrastructure. This significantly simplifies the DoD Messaging architecture, provides essential capabilities for the NC3 community, and continues interoperability with Allies, the IC, and non-DoD organizations.

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

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

Security and Assurance Services requested by specific customers are recovered via reimbursement. Certain services are provided as stand-alone offerings, while others are bundled into subscriptions. Examples of services requiring direct reimbursement include the certification of systems, Computer Network Defense Service Provider (CNDSP) inspections, IA readiness reviews, and malware analysis.

The **Defense Continuity of Operations Integrated Network (DCIN)** is a classified Pentagon network utilized by senior DoD leadership. Network costs remain stable in FY 2015 and FY 2016.

Cross Domain Services (CDS) are responsible for enhancing security and availability of the Department of Defense Information Network (DODIN) by ensuring adherence to Information Assurance and NetOps policies governing transfer of information between

domains. Services offered on a cost reimbursable basis include Enterprise Hosted Structured File Transfer and Enterprise Hosted Web Service functions. Services related to Enterprise Cross Domain Email and Enterprise Cross Domain File Sharing are included in DISN Subscription Services.

The ***Joint Regional Security Stack (JRSS)*** is a new architecture-sharing and modernization approach to managing the network which began in FY 2014. Hundreds of Army's network security stacks will be consolidated into regional security stacks where DISA will be responsible for providing sustainment support. Regional security stacks are designed to improve network defense command and control and situational awareness and are essential to enabling single security architecture in the joint information environment (JIE) and increasing network security posture. Sustainment of completed Joint Regional Security Stacks will be funded within DISN Subscription Services beginning in FY 2016. Prior to FY 2016, costs will be recovered on a reimbursable basis.

The ***DoD Enterprise Classified Travel Kit (DECTK)*** is a new service that provides combatant commanders and other high-profile users with remote access, via the Internet, to Enterprise Classified Voice over Internet Protocol (ECVoIP) and SIPRNet data services. Costs for program management, such as engineering, implementation, and maintenance will be recovered on a direct reimbursable basis. Customers are responsible for procuring their own travel kits.

As ***DISN legacy technologies*** are declared obsolete, DISA has established policy to remove the costs for these services from the DISN Subscription Services rate. Customers who elect to continue using legacy services will pay for those services on a reimbursable basis. This approach is designed to incentivize mission partners to move to new technologies and away from more costly legacy services. Beginning in FY 2016, costs for Asynchronous Transfer Mode (ATM) and Integrated Services Digital Network (ISDN) will be recovered on a reimbursable basis. The availability of Multi-Protocol Label Switching (MPLS) and Quality of Service (QoS) renders these services obsolete and generally no longer necessary for most DISN users. Rates will be established as mission partner requirements are refined.

Enterprise Acquisition Services

The primary mission of the Information Services Activity Group - Enterprise Acquisition Services (EAS) component is to meet Department of Defense (DoD) and authorized non-defense customers' requirements for telecommunications and information technology (IT) products and services from the worldwide commercial sector through flexible, innovative, and responsive acquisition actions. The mission also includes acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. The Enterprise Acquisition Services component encompasses a variety of support services to meet information technology contract requirements and provides contract support to all DISN subscription services. This budget submission reflects workload growth for Enterprise Licensing Agreements over current

orders. This new workload provides economies of scale to the DoD when purchasing software licenses.

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

(\$ in Millions)	FY 2014*	FY 2015	FY 2016
Army	\$1,068.9	\$1,271.7	\$1,332.9
Navy	\$233.2	\$220.6	\$245.5
Marine Corps	\$24.9	\$26.8	\$27.4
Air Force	\$452.4	\$486.1	\$557.5
Defense Agencies	\$2,168.0	\$2,739.7	\$3,115.1
Other DoD	\$89.6	\$117.9	\$158.5
Other Federal and Non-Federal Agencies	\$76.8	\$76.9	\$75.0
Total Gross Orders	\$4,113.7	\$4,939.6	\$5,511.9

*Fiscal Year 2014 data are actual results.

Contracting Services mission is accomplished by DISA's Defense Information Technology Contracting Organization (DITCO), which provides contracting services for the Defense Information Systems Network (DISN), Computing Services, and a wide range of other DoD programs that require information technology contracting and contract management services. The DITCO also establishes large contract vehicles available to DoD for essential IT services such as cyber security, information assurance, enterprise license agreements, engineering, hardware, equipment, software integration and support, DISN access, and Non-DISN telecommunications circuits. Non-DISN telecommunications circuits and systems are ordered on an individual basis and are fully reimbursed by customers. In addition, the Enterprise Acquisition Services component encompasses a variety of support services to meet information technology contract requirements and provides contract support to all DISN subscription services.

Enterprise License Agreements provide economies of scale to DoD when purchasing software licenses. The DISA has assumed a large business volume with relatively small contracting costs, which allows DISA to offer this service at a rate lower than the standard DITCO fee-for-service. Customers will be charged a 0.5 percent rate for utilizing these agreements. This budget reflects significant workload growth, driven primarily by Army and DISA, in FY 2015 and FY 2016.

Operating costs of \$126.6 million fund the civilian salaries, accounting support—including large-scale invoice processing—and contracting and financial support systems to execute the IT and telecommunications contracting activities described above. In addition, the operating cost will also fund the sustainment of a new cost accounting system for the TS/EAS business area. The new accounting system will provide additional cost granularity, improve business processes and provide the capability to produce a single set of financial statements for the Information Services Activity Group. All operating costs are recovered via fees charged to customers. For standard contracting services, the fee remains at 2.5 percent in FY 2016.

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

(\$ in millions)	FY 2014*	FY 2015	FY 2016
FY 2015 President's Budget	\$7,088.2	\$7,320.9	
FY 2016 Current Estimates	\$6,044.0	\$7,084.8	\$7,623.5
Change FY 2015 President's Budget to Current Estimate	(\$1,044.2)	(\$236.0)	-
Change FY 2015 Current Estimate to FY 2016 Current Estimate	-	-	\$538.6

*Fiscal Year 2014 data of FY 2016 current estimates are actual results.

FY 2015 President's Budget Submission to FY 2015 Current Estimates

Total cost of sales for TS/EAS decreases by -\$236.0 million from the FY 2015 President's Budget and is comprised of the following:

A net decrease of -\$5.1 million is attributable to changes in cost for ***DISN Subscription Services***. Increases in cost to support customer demand for transport are offset by reductions in network management.

Costs increase for ***DISN reimbursable services*** by a net total of +\$7.6 million. This is primarily driven by an increase of +\$39.4 million in customer-funded workload, largely in support of the build-out of Joint Regional Security Stacks (JRSS). Also, costs for the new DoD Enterprise Classified Travel Kit (DECTK) service (+1.8 million) and support for new Air Force-funded Cyber Protection Teams at DISA CONUS (+\$2.3 million) are included. These increases are partially offset by decreases in workload estimates for Satellite Services, Cross Domain Services, and Security and Assurance Services to more closely align with current customer demand (-\$35.8 million).

Finally, workload and operating cost estimates for DISA's Enterprise Acquisition Services decrease by a net total of -\$238.5 million. The primary driver for the reduction is a decrease in customer IT contracting workload, specifically the Encore II contract and Enterprise Licensing Agreements (-\$227.0 million). Other reductions include decreases in equipment maintenance contracts (-\$3.0 million), a net reduction in civilian pay due to an adjustment to the full-time equivalent utilization rate to more closely align with recent hiring trends (-\$3.3 million), and a decrease in operating costs for the new Working Capital Fund Core accounting system due to those costs being reclassified as a capital investment (-\$12.8 million). These decreases are partially offset by an increase in customer non-DISN telecommunications contracting requirements and other miscellaneous changes to more closely align with current execution trends (+\$7.6 million).

FY 2015 Current Estimate to FY 2016 Current Estimate

Costs increase by +\$538.6 million from FY 2015 to FY 2016. Of this increase, +\$95.3 million is attributable to inflation. The remaining increase is primarily attributable to a net increase in IT contracting workload based on historical trends, expected increases in demand for Enterprise Licensing Agreements (+\$485.0 million) and the acquisition workforce to support these contracting efforts (+\$2.4 million). Other increases support the customer-funded procurement of Joint Regional Security Stacks (+\$59.6 million), customer workload for Satellite Services (+\$19.6 million) and Mobility (+\$1.9), and other increases in operating costs primarily associated with the new Working Capital Fund Core accounting system (+\$1.3 million). These increases are partially offset by a reduction in non-DISN telecommunications contracting workload for the Federal Aviation Administration (-\$2.1 million) as well as significant reductions in cost within the DISN Subscription Services that contribute to a 9.3 percent decrease in the FY 2016 DSS share price.

Cost reductions within the DISN Subscription Services include: elimination/optimization of legacy technologies (-\$46.3 million); significant network security efficiencies primarily driven by the consolidation and streamlining of various contracts (-\$19.5 million); optimization of bandwidth contracts (-\$17.2 million); reduced costs for the fit out of the new DISA CONUS building at Scott Air Force Base and a corresponding decrease in rental payments (-\$16.0 million); network operations contract support efficiencies (-\$10.2 million); removal of FY 2015 one-time costs for process improvement efforts (-\$6.8 million); planned reductions in costs for server and storage requirements at the DECCs commensurate with the 10 percent composite rate reduction (-\$6.0 million); pricing decreases in connection approval support contracts (-\$1.2 million); and a reduction in IT equipment and support at DISA CONUS (-\$0.8 million). Other miscellaneous costs decrease by -\$0.2 million.

Capital Investment Program Summary

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Equipment	\$0.0	\$5.8	\$0.0
ADPE and Telecom	\$12.2	\$5.6	\$1.0
Software	\$4.8	\$27.0	\$0.0
Minor Construction	\$0.0	\$0.0	\$0.0
Total Program Authority	\$17.1	\$38.4	\$1.0
FY 2015 President's Budget	\$17.6	\$15.6	
Change FY 2015 President's Budget to Current Estimates	(\$0.6)	\$22.9	-
Change FY 2015 Current Estimate to FY 2016 Current Estimate	-	-	(\$37.4)

*Fiscal Year 2014 data are actual obligations.

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

FY 2015 President's Budget to FY 2015 Current Estimates

The FY 2015 capital authority increases by \$22.9 million, primarily due to the reclassification of costs supporting the new Working Capital Fund Core financial system to the capital investment program. Also, costs increase due to new requirements for the secure handset system upgrade, and the addition of the JHITS battery replacement project and equipment purchases for the new DISA CONUS facility. The secure handset cost increase is necessary to support an NSA requirement to transfer to an enhanced encryption algorithm vice the basic encryption, as originally planned. The JHITS battery project is to maintain backup power. The equipment purchases are required to complete the fit out of a new DISA CONUS facility at Scott AFB, Illinois, and will provide an audio/visual system, security system, and network encryptors.

FY 2015 Current Estimates to FY 2016 Current Estimates

The FY 2016 capital authority request decreases by \$37.4 million primarily due to the completion of planned FY 2015 projects.

Civilian Manpower

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Civilian End Strength	1,446	1,623	1,627
Civilian Full Time Equivalents	1,463	1,532	1,558
Civilian Labor Cost	\$ 182.1	\$ 194.1	\$ 198.4

*Fiscal Year 2014 data are actual results.

Civilian manpower increases from FY 2014 to FY 2015 by 69 full time equivalents (FTEs) and is largely attributable to an increase in Telecommunications Services to support the functional transfer of Cross Domain Enterprise Services, expansion of Unified Capabilities, and an increase to network services support to fill vacant FY 2014 positions due to hiring delays. There is also an increase in contracting officers and cost estimators to support new workload growth for Enterprise License Agreements.

Civilian manpower increases by a net of 26 FTEs in FY 2016. This is due to an increase in security personnel at the new DISA CONUS building, additional personnel to support new Mobility workload, and an increase in the acquisition workforce to support increased workload for IT contracting and Enterprise License Agreements.

Military Manpower

(\$ in millions)	FY 2014	FY 2015	FY 2016
Military End Strength	74	82	69
Military Labor Cost	\$6.6	\$5.6	\$4.8

*Fiscal Year 2014 data are actual results.

The decrease in military end strength from FY 2015 to FY 2016 is largely due to a planned decrease in military manpower for network operations and network services support.

Performance Measures

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

Telecommunications Services Performance Measures

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

SERVICE OBJECTIVE	FY 2014 Actual	FY 2015 Operational Goal	FY 2016 Operational Goal
Non-Secure Internet Protocol Router Network access circuit availability	99.69%	98.50%	98.50%
Secure Internet Protocol Router Network latency (measurement of network delay) in the continental United States	46 milliseconds	Not to exceed 100 milliseconds	Not to exceed 100 milliseconds
DISN Video Services availability	99.97%	99.60%	99.60%
Defense Red-Switch Network switch availability	99.52%	99.50%	99.50%

Enterprise Acquisition Services Performance Measures

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

SERVICE OBJECTIVE	FY 2014 Actual	FY 2015 Operational Goal	FY 2016 Operational Goal
Percent of total eligible contract dollars competed	76.84%	78.30%	78.30%
Percent of total eligible contract dollars awarded to small businesses	33.00%	26.00%	26.00%

Rates

DISN Subscription Services Share Price

The subsequent table shows changes in the number of sites, shares, total cost and cost per share. As previously discussed, the change in the number of shares is directly correlated to customer demand for services and bandwidth, a key factor in the overall cost of the network.

The subscription share price in FY 2016 decreases by 9.3 percent. Shown below are the financial data for DISN Subscription Services.

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Revenue	\$1,304.6	\$1,341.3	\$1,255.2
Cost	\$1,220.0	\$1,315.4	\$1,193.9
Number of Sites	347	339	337
Number of Shares	8,778	8,849	9,129
Annual Price per Share	\$148,753	\$151,579	\$137,500
Unit Cost Per Share	\$138,984	\$148,653	\$130,780

*Fiscal Year 2014 data are actual results.

Security and Assurance Services

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

1. DISN Subscription Services (DSS) share price – costs for services that benefit the entire DISN network and user community will be recovered via the share price.
2. Direct Reimbursement – costs for services performed for a specific customer, such as monitoring sensors on the customer side of a router, will be recovered on a direct-reimbursable basis.
3. Computer Network Defense Service Provider Subscription – customers can choose to sign-up for a yearly subscription package that includes various types of

testing and analysis as well as exercise support and training, as described subsequently:

Service	Cost Recovery Mechanism
Command Cyber Readiness Inspections (CCRIs)	DISN Subscription Services: Costs for CCRIs will be recovered through the DSS share price. These inspections ensure compliance at all connected sites and therefore benefit the entire DISN community.
Network Security Monitoring and Incident Reporting	DISN Subscription Services: Costs for sensors that are placed directly on the DISN backbone will be recovered through the DSS share price. The monitoring of these sensors benefits the entire DISN community.
Computer Network Service Assessments	Direct Reimbursement: Customers will be charged these assessments on the technical and non-technical services of a CNDSP.
System & Enclave Certification	Direct Reimbursement: Customers will be charged based on the size (small, medium, large) of the enclave/system being certified.
Computer Network Defense Service Provider (CNDSP) Subscription Services	CNDSP Subscription: Each yearly subscription will include recurring System Architecture Analysis & Testing, Trends Analysis, Penetration Testing, Vulnerability Assessment Analysis & Trending, CNDSP Subscriber Services Support, and one (1) each of the following: Incident Response and Recovery Team, Malware Analysis, Media Analysis, CNDSP Exercise Support, and Red Teaming. It will also include two (2) seats per year for IA Training Program Support. Anything over these limits will be charged on a usage basis.
Mission Assurance (MA) Analysis	Direct Reimbursement: Customers can choose any of the IA Analysis services offered and will provide reimbursement for the actual cost of providing the analysis.

DoD Mobility

The table below shows the monthly rate per device for DoD Mobility as an enterprise service. The rate recovers costs for enterprise-level mobile communications services, to include access to a DoD Mobile Application Store. The Mobility service is offered at three different security levels; unclassified, secret and top secret.

For unclassified services, customers are responsible for purchasing their own approved mobile devices and data/air time plans. Devices for classified use must be purchased through DISA. In accordance with DWCF policy, customers are required to place orders and provide payment for Mobility services.

DoD Mobility Rates	FY 2014	FY 2015	FY 2016
Unclassified Device	\$7.36	\$7.36	TBD
SIPR Device	\$126.63	\$126.63	TBD
Top Secret Device	\$278.05	\$278.05	TBD

Cross Domain Services

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

Cross Domain Rates	FY 2014	FY 2015	FY 2016
Development/New Filter	\$25,600	\$26,880	TBD
Pre/Post Deployment/New Customer	\$136,320	\$143,136	TBD
Basic Monthly Rate/Filter	\$5,199	\$5,547	TBD

Commercial Satellite Communications Services

DISA charges a standard rate for all Commercial Satellite Services procured on behalf of customers. The rate recovers contracting costs, vendor incentive fees, labor support costs, and a small amount of travel associated with delivering both Fixed Satellite Services and Mobile Satellite Services.

Commercial Satellite Services Rates	FY 2014	FY 2015	FY 2016
Standard Rate	2.28%	2.16%	TBD

Enterprise Acquisition Services Rate

The standard fee-for-service contracting rate remains at 2.5 percent in FY 2016. The DISA has established a 0.5 percent rate for customers utilizing Enterprise License Agreement contracts. DISA is able to provide the Department with economies of scale on these large, enterprise licensing contracts, one of the goals of the Department's IT efficiencies roadmap.

Contracting Rates	FY 2014	FY 2015	FY 2016
Standard Fee-for-Service	2.00%	2.50%	2.50%
Enterprise License Agreement Services	0.50%	0.50%	0.50%

Changes in the Costs of Operations
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

FY 2014	Actual	\$6,044.020
FY 2015	Estimate in President's Budget	\$7,320.857
	<i>Efficiencies:</i>	
	Reduction in network management costs to more closely align with FY 2014 execution	(\$20.932)
	Equipment maintenance reduction due to decreases in functional and technical support contract and elimination of sustainment for legacy order entry system	(\$3.026)
	Net reduction in civilian pay due to adjustment in utilization rate to more closely align with historical hiring lag at the Defense Information Technology Contracting Organization (DITCO)	(\$3.262)
	<i>Program Changes:</i>	
	Net decrease in customer IT contracting workload primarily due to reduced requirements for Encore II contracts and Enterprise Licensing Agreements	(\$227.018)
	Reduced workload estimates primarily for Satellite Services, Cross Domain Services, and Security and Assurance Services to more closely align with current customer demand	(\$35.808)
	Decreased operating costs for new Working Capital Fund Core accounting system	(\$12.820)
	Increased customer funded workload, primarily associated with Joint Regional Security Stacks (JRSS) requirements	\$39.425
	Increased bandwidth requirements to support customer demand for transport	\$16.126
	Increase in customer non-DISN telecommunications contracting requirements to align with actual FY 2014 execution	\$7.130
	Increased cost to support new Air Force Cyber Protection Teams at DISA CONUS	\$2.252
	Increased cost to support a new secure IP communications capability, the DoD Enterprise Classified Travel Kit (DECTK)	\$1.750
	Miscellaneous	\$0.172
FY 2015	Current Estimate	\$7,084.846

Changes in the Costs of Operations
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

FY 2015	Current Estimate	\$7,084.846
	<i>Pricing Adjustments:</i>	
	Non-labor Inflation	\$92.877
	Civilian/Military Pay Raise	\$1.927
	Annualization of Civ/Mil Pay Raise	\$0.499
	<i>Efficiencies:</i>	
	Elimination/optimization of legacy technologies and continued transition to IP convergence:	
	▪ <i>Elimination of legacy DISN Asynchronous Transfer Mode Services (DATMS);</i>	
	▪ <i>Elimination of legacy Integrated Services Digital Network (ISDN);</i>	(\$46.314)
	▪ <i>Optimization of legacy Time-Division Multiplexing (TDM);</i>	
	▪ <i>Optimization of Promina network</i>	
	Reduction in transport costs due to optimization of bandwidth utilization and transition to more cost effective circuit leases	(\$17.238)
	Network operations contract support efficiencies primarily associated with a reduction in personnel that provide manual provisioning and troubleshooting activities	(\$10.238)
	Contract efficiencies for Host Based Security System (HBSS) and Public Key Infrastructure	(\$9.337)
	Removal of FY 2015 one-time contract costs for process improvement efforts	(\$6.805)
	Reduction in DECC bill due to Computing Services 10% composite rate reduction	(\$5.997)
	Reduction in enclave sensors due to planned architectural changes associated with the implementation of Joint Regional Security Stacks (JRSS)	(\$2.500)
	Reduction in the number of Command Cyber Readiness Inspections (CCRIs) conducted	(\$2.212)
	Reduced network security costs from the elimination of two NIPRNet Federated Gateways (NFG)	(\$2.200)
	Pricing decrease in contract providing support for the DISN connection approval process	(\$1.249)
	Other network security efficiencies associated with consolidation and streamlining of contracts	(\$3.251)
	Reduction in IT equipment and support at DISA CONUS	(\$0.781)
	<i>Program Changes:</i>	
	Reduced costs for the fit out of a new DISA CONUS building at Scott AFB	(\$15.802)
	Reduction in non-DISN telecommunications contracting workload for the Federal Aviation	(\$2.148)
	Reduction in rental payments to GSA as new DISA CONUS building is completed	(\$0.219)
	Net increase in customer IT contracting workload based on historical trends and expected increases in demand for Enterprise Licensing Agreements	\$485.005
	Increased customer funded workload, primarily associated with Joint Regional Security Stacks (JRSS) requirements	\$59.581
	Increased customer workload for Satellite Services	\$19.637
	Increase in civilian pay primarily to support workload for IT contracting and Enterprise Licensing Agreements	\$2.388
	Increased workload for Mobility services	\$1.885
	Increase in DITCO operating costs primarily to support to Working Capital Fund accounting system	\$1.268
	Miscellaneous	(\$0.166)
FY 2016	Estimate	\$7,623.457

Activity Group Capital Investment Summary
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	FY 2014 Quantity	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Total Cost
Non-ADPE Equipment	0.000	\$0.000	3.000	\$5.800	0.000	\$0.000
DISA CONUS Fit Out	0.000	\$0.000	3.000	\$5.800	0.000	\$0.000
ADPE & Telecom Equipment Capabilities	2.000	\$12.236	3.000	\$5.621	1.000	\$1.007
Other Support Equipment	2.000	\$12.236	3.000	\$5.621	1.000	\$1.007
EMSS Remote Earth Terminal	1.000	\$0.373	0.000	\$0.000	0.000	\$0.000
EMSS FANS	0.000	\$0.000	0.000	\$0.000	1.000	\$1.007
Secure Handset System Upgrade	0.000	\$0.000	1.000	\$2.000	0.000	\$0.000
JHITS Battery Plant Replacement	0.000	\$0.000	1.000	\$0.446	0.000	\$0.000
EMSS Gateway Transformation	1.000	\$11.863	1.000	\$3.175	0.000	\$0.000
Software Development	1.000	\$4.836	2.000	\$27.000	0.000	\$0.000
Externally Developed Software	1.000	\$4.836	2.000	\$27.000	0.000	\$0.000
New Financial System	0.000	\$0.000	1.000	\$25.000	0.000	\$0.000
Traditional Contract Writing System	1.000	\$4.836	1.000	\$2.000	0.000	\$0.000
Minor Construction	0.000	\$0.000	0.000	\$0.000	0.000	\$0.000
Total	3.000	\$17.072	8.000	\$38.421	1.000	\$1.007
Total Depreciation Expense		\$12.822		\$15.292		\$15.823
Total Capital Outlays		\$17.768		\$10.967		\$26.424

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)	A. Fiscal Year 2016
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TS/EAS / February 2015	C. ADPE and Telecom - Equipment	D. JHITS Battery Plant Replacement
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Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
JHITS Battery Plant Replacement	0.00	0.00	0.00	1.00	0.446	0.446	0.00	0.00	0.00
Total	0.00	0.00	0.00	1.00	0.446	0.446	0.00	0.00	0.00

Narrative Justification:

Description and Purpose:
 At each JHITS Switching System site, there is an installed battery plant used to provide backup voltage (-48vdc) to maintain switch operation for 8 hours in the event of loss of commercial power. These battery plants were installed in 1997-1998 during the installation of the HITS program. These batteries have been in continuous operation since that time and are beginning to show signs of aging. For some of the switches, the battery plant is no longer supportable and incapable of operating at the performance levels recommended by the manufacturer. This Government-owned battery plant must be replaced to protect switching equipment and the JHITS switch performance (ten switches) in the event of commercial power outages which occur frequently in Hawaii with higher risks that prevail during the hurricane season from May through November each year.

Current Deficiency and/or Problem:
 The installed batteries supporting the JHITS switching system are classified as Valve-Regulated Lead Acid (VRLA) batteries and are specifically designed for long backup needs of telecommunications applications. They have a specific designed battery life of 20 years with reduced floor space and ventilation requirements when compared to the typical lead acid batteries. The JHITS switching system batteries have significantly degraded and will not support the required load that they were designed for. The original design requirements were for 8 hours capacity to support full switch operation. The actual capacity can't be determined without a full load test. Given the state of the batteries, a load test may be risky and could cause a switch outage and is not recommended. Since most of the batteries at each site are showing significant deterioration, the only action is to replace the entire battery plant. One for one replacement of individual cells is not recommended.

Impact:
 The battery plant provides the first source of backup power for the ten DISA-owned JHITS switches during a commercial power outage. If the batteries fail to hold power to the switches during a commercial power outage, the Government backup generator system (72-hour backup) will not kick in. Once there is a power source denial to the switches, the switch will go down hard with no automatic restoral capabilities. For some of the unmanned switch sites (like Schofield, Fort Shafter, Kaneohe), a switch technician must physically re-boot the switch at the respective switch central office which could take extensive time to implement especially during non-duty hours. Failed power to a switch could also damage the switch equipment and components rendering the switch inoperable and in need of replacement.

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2016			
TS/EAS / February 2015		C. ADPE and Telecom - Equipment				D. Secure Handset System Upgrade			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Secure Handset System Upgrade	0.00	0.00	0.00	1.00	2,000.00	2,000.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	1.00	2,000.00	2,000.00	0.00	0.00	0.00
Narrative Justification:									
Description and Purpose:									
<p>This funding will support the new secure satellite phone that will be needed to replace the obsolete 9505A secure phone which has been off of the commercial market for eight years, yet we continue to support this phone because of the Type I encryption for Secret and Top Secret voice capability that this phone supports. General Dynamics has agreed to support the 9505A, but because the parts are obsolete the phone is extremely expensive to maintain. The EMSS program currently has 29,175 phones today with approximately another 10,000 phones inactive. These phones are critical communications devices for the executive branch, DoD users, and the intelligence community. Added capabilities to the new phone include GPS as well as a personnel location and identification (PLI) "panic button" which once pressed will send an emergency message to the DoD mission management center alerting them that someone is in danger or needs help, a feature that can ultimately save many lives. The out-of-cycle request is needed because the original estimate was based on the NSA allowing the continued use of the Basic Firefly (BFF) encryption algorithm. Based upon guidance received from the NSA in July 2014, we must transition to the Enhanced Firefly (EFF) encryption. This has significantly increased the amount of work that the contractor must perform. Previous estimates were based on the FOSH being an Engineering Change Proposal (ECP) being submitted to the NSA for approval. The EFF algorithm requires a new certification package. The additional level of encryption necessary is estimated to increase the cost by \$2M.</p>									
Current Deficiency and/or Problem:									
<p>The current force phone is over 8 years old and is no longer supported on the commercial market. DoD is paying General Dynamics to support this phone indefinitely, which is cost prohibitive due to the need for parts that have to be specially made since they are no longer in production.</p>									
Impact:									
<p>If the project is not supported, the DoD will lose its ability to provide secure ISM's and ultimately secure voice capability for new handsets. Due to the long lead time, this will impact communications in either the 2016 or 2017 timeframe.</p>									

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)				A. Fiscal Year 2016						
TS/EAS / February 2015	C. ADPE and Telecom - Equipment				D. EMSS Gateway Transformation					
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost	
EMSS Gateway Transformation	1.00	11,863.00	11,863.00	1.00	3,175.00	3,175.00	0.00	0.00	0.00	
Total	1.00	11,863.00	11,863.00	1.00	3,175.00	3,175.00	0.00	0.00	0.00	

Narrative Justification:

Description and Purpose:
The Enhanced Mobile Satellite Service (EMSS) provides deployed Warfighters and Partnering Agencies global communications through enhancements to commercial Mobile Satellite Service (MSS) infrastructures. Services provided include voice, data (2.4kbps), paging, and Short Burst Data. Major functions include airtime usage via the Iridium Low Earth Orbit (LEO) constellation, Operations and Maintenance (O&M) of the DoD EMSS Gateway, Customer provisioning, and engineering assistance. In order to ensure continued reliable service the EMSS Gateway is undergoing modernization and upgrades.

Current Deficiency and/or Problem:
Due to the aging EMSS terrestrial architecture, infrastructure and equipment, which has been in service since the commencement of the program, is becoming unsupportable. The current EMSS DoD Gateway was procured to receive traffic from the current Iridium constellation. As Iridium transitions their commercial service to utilize "Iridium NEXT" technology, their commercial gateway architecture must change. Iridium Satellite LLC (ISLLC) has initiated an effort (Iridium NEXT) to replace the aging constellation. To ensure the government's continued ability to receive EMSS/Iridium traffic, the EMSS Gateway will need to be migrated to maintain technical parallel via a series of upgrades designed to maintain full backward compatibility and be fully NEXT compliant. This transformation began in FY 2010 and is expected to continue through FY 2016.

Impact:
If the EMSS Gateway is not transformed to remain compatible with the Iridium commercial gateway, EMSS will not be able to receive critical operational traffic nor provide access to new services offered by Iridium NEXT. Without upgrades to the DoD Gateway infrastructure, end user equipment, encryption devices, and COOP capability will not meet communications needs.

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2016			
TS/EAS / February 2015		C. ADPE and Telecom - Equipment				D. EMSS Future Air Navigation System (FANS)			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Future Air Navigation System	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1,007.00	1,007.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1,007.00	1,007.00

Narrative Justification:

Description and Purpose:
The purpose of the following requirement is to establish the Future Air Navigation System service within the EMSS Gateway. The Enhanced Mobile Satellite Service (EMSS) provides deployed Warfighters and Partnering Agencies global communications through enhancements to commercial Mobile Satellite Service (MSS) infrastructures. Services provided include voice, data, paging, and Short Burst Data. In order to ensure continued reliable service, the EMSS Program Office has developed and is implementing a modernization program for the DOD EMSS Gateway. Additionally, the primary contractor, Iridium Satellite LLC (ISLLC), has initiated an effort (Iridium NEXT) to replace the aging constellation. ISLLC intends to transition the existing Gateways (one commercial, one DoD) to a new architecture via a series of upgrades designed to maintain full backward compatibility, prepare for subsequent upgrades, and be fully NEXT compliant. Future Air Navigation System: FANS Over Iridium (FOI) offers aircraft an assured, cost efficient means, to obtain flight services to include weather, flight plans, aircraft health and aircraft status through Iridium/EMSS Short Burst Data (SBD) devices. Global coverage is provided via the Iridium constellation.

Current Deficiency and/or Problem:
In 2011 the Federal Aviation Administration (FAA) approved and certified FOI as a viable part of the Aircraft Communications Addressing and Reporting System (ACARS). This system provided short message transmissions between aircraft and the ground stations via radio or satellite. ACARS also provides commercial Communications, Navigation, Surveillance/Air Traffic Management (CSN/ATM) compatibility worldwide; flight safety data to include weather, flight plans, aircraft health and status. This has helped aircraft streamline flight routes and cut fuel consumption.

The Air Force Mobility Command (AMC) currently operates ACARS under contract number HC1013-10-D-2002 with the Aeronautical Radio, Incorporated (ARINC). This contract expires 31 August 2016. The ARINC maintains FAA certification to provide ACARS to commercial aircraft. AMC operates on a current waiver to utilize commercial services until a viable solution can be found via government assets. Since EMSS is the only government entity that offers Iridium services, establishing a Future Air Navigation System (FANS) network with ARINC would not only solve AMC's issue but the system could be utilized by all DoD and other government aircraft.

Impact:
Utilizing EMSS allows for 24x7 operations management, performance management and information assurance required by DoD and Federal Government Departments and Agencies. This upgrade to the EMSS infrastructure will enable DISA to provide FOI to DoD and Federal Agencies.

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2016			
TS/EAS / February 2015	C. Software Development					D. Traditional Contract Writing System			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Traditional Contract Writing System	1.00	4836.00	4836.00	1.00	2,000.00	2,000.00	0.00	0.00	0.00
Total	1.00	4836.00	4836.00	1.00	2,000.00	2,000.00	0.00	0.00	0.00
Narrative Justification:									
Description and Purpose:									
<p>On 24 March 2005, DISA-PLD/DITCO received authorization from the DoD Business Management Modernization Program (BMMP) to replace incongruous and unsupported legacy contracting applications with a modern end-to-end system now called the Integrated Defense Enterprise Acquisition System (IDEAS). The Enterprise Business Modernization (EBM) project was subdivided into telecommunications and traditional contracting and uses an agile methodology to incrementally configure Appian's Inc Business Process Management (BPM) tool to support all procurement functions. IDEAS adheres to the DoD Procurement Data Standard (PDS) and Standard Financial Information Structure (SFIS), has been certified Business Enterprise Architecture (BEA) compliant, and is documented using the Department of Defense Architecture Framework (DoDAF). Receiving its Authority to Operate (ATO) in 3QFY09, IDEAS provided telecommunications contracting capability first. Funding is required to deploy traditional contracting capability which is the next step in the incremental progression towards a fully integrated contract writing system. The traditional contracting solution shall be configured utilizing Appian's BPM tool to provide the flexibility, access controls, and interfaces necessary in providing a streamlined system inclusive of all procurement functions. DISA is currently licensed to configure IDEAS for Telecommunications and Traditional Contracting for 5000 users. IDEAS is a single web-based contract writing system which manages all pre-award, award, and post-award activities. Telecommunications contracting was implemented first and has processed over 19,200 contract actions by 150 contracting specialists and officers, with a life cycle value just over \$1.6B. Traditional contracting is the next step towards replacing costly and unsupported legacy systems, providing the full spectrum of contracting capabilities within a single integrated system, and replacing the Standard Procurement System (SPS) which is scheduled to sunset in FY15.</p>									
Current Deficiency and/or Problem:									
<p>OSD AT&L Department of Defense (DoD) Functional Contract Writing and Administration Capabilities Memo dated 21 October 2011 declared FY 2015 as the end-of-life for the SPS/PD2. Therefore, the EBM/IDEAS Traditional Contract Writing System project must start immediately to be in place before the legacy system sunsets in FY 2015.</p>									
Impact:									
<p>Failure to replace DISA contract writing systems before the sunset of SPS/PD2 will result in an interruption of DISA's ability to contract for essential Information Technology products and services required by DISA's mission partners.</p>									

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2016			
TS/EAS / February 2015		C. Software Development				D. New Financial System			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
New Financial System	0.00	0.00	0.00	1.00	25,000.00	25,000.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	1.00	25,000.00	25,000.00	0.00	0.00	0.00
Narrative Justification:									
Description and Purpose:									
<p>The purpose of this project is to develop a new TSEAS financial system which will modernize the current FAMIS TSEAS system. The new TSEAS financial system will be fully compatible with the Working Capital Fund-Core system deployed in support of the Computing Services business area and will allow production of an integrated financial statement for the Information Services Activity Group. The new TSEAS financial system is a turn-key solution designed to upgrade from the current version. This solution will support the following application family of products: General Ledger, Accounts Receivable, Accounts Payable, Federal Administration, Project Costing, Project Billing, Project Contracts, Purchasing, and iProcurement. The resulting system will implement Oracle Identity and Access Management (IAM) to interface with EBS to provide Common Access Card (CAC) authentication to the EBS. Both the operational and the back-up environments for this solution will be hosted at DECCs.</p>									
Current Deficiency and/or Problem:									
<p>The Federal Financial Management Integrity Act (FFMIA) of 1996 requires Federal agencies to implement and maintain financial management systems compliant with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. The Office of Management and Budget (OMB) issued Circular 127, Financial Management Systems (revised 1/9/2009), to implement FFMIA and establish specific requirements for Federal financial systems.</p>									
Impact:									
<p>Upon implementation of the new financial system, DISA will be in compliance with the DoD mandated solution for working capital fund accounting & finance, the latest version of Business Enterprise Architecture (BEA), the Financial Management Regulation (FMR), Office of Management and Budget compliance objectives, and other applicable policies, laws and regulations. The current proprietary program will be replaced with a non-proprietary solution, allowing DISA to more freely pursue open competition options in future contractual activities. Many of the manual processes in the current solution will be replaced by automated functions, enhancing user efficiency. It is anticipated that the new TSEAS financial system will provide DISA with the opportunity to improve business processes, increase standardization and identify efficiencies with interfaces that allow for the best use of resources across all areas. It is also anticipated that the new TSEAS financial system will provide capabilities that will reduce manual, off-line efforts necessary to perform functions in the current environment as well as establish standardized cost structures across the DWCF entities providing better visibility of cost and revenue information from an enterprise perspective.</p>									

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)				A. Fiscal Year 2016					
TS/EAS / February 2015	C. Non ADPE and Telecom - Equipment			D. Security System for DISA CONUS MILCON facility					
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
A/V Suites and Associated Equipment	0.00	0.00	0.00	1	3,400.00	3,400.00	0.00	0.00	0.00
Security System	0.00	0.00	0.00	1	1,800.00	1,800.00	0.00	0.00	0.00
Crypto Gear	0.00	0.00	0.00	1	600.00	600.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	3	1,933.33	5,800.00	0.00	0.00	0.00
Narrative Justification:									
The DISA CONUS mission at Scott AFB is spread between three geographically separated locations. The primary facility for network operations and engineering is located on base in building 3189. Circuit implementations are performed on an off-base leased facility in O'Fallon, IL. The dynamic growth of informational systems to support the global missions of the warfighter have rendered building 3189 an obsolete antiquated facility with a long list of facility deficiencies. A new facility was approved for construction in the FY 2013 MILCON budget for the DoD, and project VDYD597032 was awarded through the Corps of Engineers Louisville District in FY 2013. The project will require the integration of installed equipment to building infrastructure before DISA occupies the building, which is scheduled for completion in January 2016.									
Description and Purpose:									
The purpose of the funds is to provide a security system, network encryptors, and a major audio-visual systems with a wide array of display devices for the various conference and break rooms to support the new DISA CONUS (MILCON) Facility. The building has multiple areas that require special security requirements to meet classified material standards. These systems include a Video Surveillance System (VSS) and an Electronic Security System (ESS). These systems work in conjunction to provide a visual and physical intrusion detection system for the new facility. The audio-visual systems and displays will be used for meetings, conferences, personnel notifications and a variety of other mission needs. The facility also requires KG-175D, TACLANE Inline Network Encryptors (INE) to meet the National Security Agency (NSA) requirements for High Assurance Internet Protocol Encryptor (HAIPE). These devices provide network communications security on Internet Protocol (IP) and Asynchronous Transfer Mode (ATM) networks for the individual user or for enclaves of users at the same security level. These are centrally managed investment items and the facility requires 60 to protect all the circuits at a unit cost of \$10K each.									
Current Deficiency and/or Problem:									
The current facility does not meet the minimum criteria for the Defense Threat Reduction Agency (DTRA). The facility has a failure rating for force protection and is in direct violation of current airfield safety criteria. The facility does not meet the current American Disabilities Act (ADA) requirements and has received low marks from the Inspector General (IG) for quality of life issues. The facility fails to meet minimum standards for structural design to prevent collateral collapse. Single points of failure exist in the HVAC system resulting in the risk of system failures that will directly impact support for the warfighter. Expansion of the airfield over the past 30 years has impacted the current location. The facility operates under airfield waivers. The inadequate stand-off distance from the flightline requires this facility to be vacated or operate under special provisions during airshows and major airfield operations.									
Impact:									
DISA CONUS has evolved into a critical NetOps center, which currently monitors and manages 83% of the DISN bandwidth, 75% of DISN devices, 86% of customer services, and assures 100% of the NIPRNet. In mission scope and volume, DISA CONUS has become a unique and primary host for critical network operations support to National Leaders, Services and Agencies, eleven Combatant Commands, and DISA. The CONUS AOR span of control comprises 645 DISN nodes, 3,280 service locations, all inter-theater connectivity, 15 Network Operation Centers (NOCs), and OPCON of 4 non-collocated NOCs. Without this project, DISA risks losing command and control (C2) of critical elements of the DISA networks. Without this project, the new DISA CONUS facility would not be able to support sensitive spaces and would be vulnerable to outside intrusion to classified documentation.									

Capital Budget Execution
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

<u>Fiscal Year</u>	<u>Major Category</u>	<u>Initial Request</u>	<u>Current Proj. Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
FY 2014	Equipment - ADPE and Telecommunications	12.623	12.236	(0.387)	
	Software Development	5.000	4.836	(0.164)	
	TOTAL FY 2014	17.623	17.072	(0.551)	Current project cost reflects actual prior year obligations.
FY 2015	Non-ADPE Equipment	0.000	5.800	5.800	Capital required to support the fit out of a new building at Scott AFB, IL. Includes cost for Audio/Visual suites, a security system, and crypto gear.
	Equipment - ADPE and Telecommunications	3.175	5.621	2.446	Pricing for the EMSS secure handset system upgrade has increased primarily due to new encryption requirements (+\$2.000). Also, the battery plant supporting the JHITS switching system requires replacement due to earlier than expected degradation (+\$0.446).
	Software Development	12.384	27.000	14.616	Increase of \$14.616 for the new Working Capital Fund core accounting system
	TOTAL FY 2015	15.559	38.421	22.862	
FY 2016	Equipment - ADPE and Telecommunications	1.007	1.007	0.000	New requirement -- EMSS Future Air Navigation System
	TOTAL FY 2016	1.007	1.007	0.000	

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$5,263.466	\$6,189.360	\$6,757.245
ARMY APPROPRIATED	\$1,764.563	\$2,050.090	\$2,171.108
Army O&M	\$1,438.662	\$1,479.424	\$1,560.415
Army RDT&E	\$71.405	\$96.487	\$98.246
Army Procurement	\$254.442	\$474.093	\$512.359
Army MILCON	\$0.054	\$0.086	\$0.088
Army BRAC	\$0.000	\$0.000	\$0.000
NAVY APPROPRIATED	\$634.051	\$571.026	\$569.321
Navy O&M	\$618.956	\$548.909	\$546.748
Navy RDT&E	\$5.877	\$6.604	\$6.738
Navy Procurement	\$8.425	\$14.792	\$15.100
Navy MILCON	\$0.793	\$0.721	\$0.735
Navy BRAC	\$0.000	\$0.000	\$0.000
MARINE CORPS APPROPRIATED	\$53.197	\$111.283	\$109.882
Marine Corps O&M	\$52.412	\$109.616	\$108.181
Marine Corps RDT&E	\$0.000	\$0.000	\$0.000
Marine Corps Procurement	\$0.785	\$1.667	\$1.701
Marine Corps MILCON	\$0.000	\$0.000	\$0.000
Marine Corps BRAC	\$0.000	\$0.000	\$0.000
AIR FORCE APPROPRIATED	\$1,174.249	\$1,239.192	\$1,281.381
AF O&M	\$1,174.249	\$1,235.700	\$1,277.849
AF RDT&E	\$0.000	\$0.000	\$0.000
AF Procurement	\$0.000	\$0.700	\$0.700
AF MILCON	\$0.000	\$0.000	\$0.000
AF BRAC	\$0.000	\$2.792	\$2.832
DISA APPROPRIATED	\$1,186.499	\$1,732.475	\$2,084.065
DISA O&M	\$929.542	\$1,329.832	\$1,673.053
DISA RDT&E	\$158.615	\$185.346	\$189.209
DISA Procurement	\$98.342	\$217.297	\$221.803
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DEFENSE WIDE APPROPRIATED	\$338.005	\$354.094	\$365.643
Defense Wide Appropriated O&M	\$301.895	\$307.860	\$318.533
Defense Wide Appropriated RDT&E	\$27.035	\$38.150	\$38.876
Defense Wide Appropriated Procurement	\$9.070	\$8.079	\$8.229
Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
Defense Wide Appropriated BRAC	\$0.005	\$0.005	\$0.005
OTHER DoD APPROPRIATED	\$112.902	\$131.200	\$175.845

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
Other DoD Appropriated O&M	\$112.432	\$130.376	\$175.020
Other DoD Appropriated RDT&E	\$0.000	\$0.000	\$0.000
Other DoD Appropriated Procurement	\$0.470	\$0.824	\$0.825
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	\$777.500	\$838.324	\$854.499
ARMY - WCF	\$0.249	\$0.072	\$0.073
Army Industrial Operations	\$0.249	\$0.072	\$0.073
NAVY - WCF	\$38.644	\$47.919	\$48.860
Navy Depot Maintenance	\$0.000	\$0.000	\$0.000
Navy Base Support	\$0.698	\$1.440	\$1.470
Navy Supply Management	\$1.106	\$1.549	\$1.581
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance	\$0.000	\$0.000	\$0.000
Other Navy Activity Groups	\$36.840	\$44.930	\$45.809
AIR FORCE - WCF	\$27.369	\$38.948	\$39.681
Consolidated Sustainment Activity Group (CSAG)	\$1.576	\$1.702	\$1.738
U.S. Transportation Command (TRANSCOM)	\$25.793	\$37.246	\$37.943
DEFENSE WIDE WCF	\$690.206	\$731.993	\$746.184
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	\$0.005	\$0.000	\$0.000
DISA Computing Services (CSD)	\$650.826	\$681.038	\$695.216
Defense Finance and Accounting Service (DFAS)	\$4.661	\$4.516	\$4.464
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$6.438	\$6.416	\$6.550
DLA Supply Chain Management	\$28.276	\$40.023	\$39.954
DEFENSE COMMISSARY AGENCY (DECA)	\$20.847	\$19.016	\$19.318
DECA Operations	\$20.847	\$18.467	\$18.760
DECA Resale	\$0.000	\$0.549	\$0.558
OTHER - WORKING CAPITAL	\$0.000	\$0.000	\$0.000
OTHER REVOLVING FUNDS	\$0.185	\$0.376	\$0.383
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	\$0.185	\$0.376	\$0.383
PRMRF/BMF	\$0.000	\$0.000	\$0.000
c. TOTAL DoD ORDERS	\$6,040.966	\$7,027.684	\$7,611.744
d. OTHER ORDERS	\$123.097	\$118.328	\$116.294

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
OTHER FEDERAL AGENCIES	\$94.423	\$91.062	\$88.462
TRUST FUNDS	\$23.720	\$26.368	\$26.917
NON-FEDERAL ORDERS	\$0.104	\$0.005	\$0.006
FOREIGN MILITARY SALES	\$4.850	\$0.893	\$0.909
TOTAL NEW ORDERS	\$6,164.063	\$7,146.012	\$7,728.038
2. Carry In Orders	\$0.000	\$0.000	\$0.000
3. TOTAL GROSS ORDERS	\$6,164.063	\$7,146.012	\$7,728.038

Revenue and Expenses
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
Revenue			
Gross Sales	\$6,164.063	\$7,146.012	\$7,728.038
Operations	\$6,151.242	\$7,130.720	\$7,712.215
Capital Surcharge	\$0.000	\$0.000	\$0.000
Depreciation	\$12.821	\$15.292	\$15.823
Other Income	\$0.000	\$0.000	\$0.000
Refunds/Discounts (-)	\$0.000	\$0.000	\$0.000
Total Income:	\$6,164.063	\$7,146.012	\$7,728.038
Costs			
Cost of Material Sold from Inventory	\$0.000	\$0.000	\$0.000
Salaries and Wages:	\$188.738	\$199.694	\$203.192
Military Personnel Compensation & Benefits	\$6.633	\$5.604	\$4.765
Civilian Personnel Compensation & Benefits	\$182.105	\$194.090	\$198.427
Travel & Transportation of Personnel	\$2.908	\$4.925	\$4.959
Materials & Supplies (For internal Operations)	\$9.318	\$28.585	\$30.382
Equipment	\$0.000	\$0.000	\$0.000
Other Purchases from Revolving Funds	\$80.349	\$164.813	\$171.921
Transportation of Things	\$0.922	\$0.676	\$0.734
Depreciation - Capital	\$12.821	\$15.292	\$15.823
Printing and Reproduction	\$0.431	\$0.281	\$0.307
Advisory and Assistance Services	\$2.271	\$3.670	\$3.742
Rent, Comm, Utilities, & Misc. Charges	\$1,698.219	\$1,629.619	\$1,643.474
Other Purchased Services	\$4,048.043	\$5,037.291	\$5,548.923
Total Costs	\$6,044.020	\$7,084.846	\$7,623.457
Operating Results	\$120.043	\$61.166	\$104.581
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	(\$62.005)
Net Operating Results	\$120.043	\$61.166	\$42.576
Prior Year AOR	\$140.000	\$265.299	\$97.392
Other Changes Affecting AOR	\$5.256	\$0.000	\$0.000
Total AOR	\$265.299	\$326.465	\$139.968
Retained AOR	\$0.000	\$229.073	\$110.190
Cumulative Retained AOR	\$0.000	\$229.073	\$339.263
AOR for Budget Purposes	\$265.299	\$97.392	\$29.778

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)**

	2014	2015	2016
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$503.423	\$651.393	\$663.613
ARMY APPROPRIATED	\$104.577	\$167.056	\$180.072
Army O&M	\$101.654	\$166.496	\$179.533
Army RDT&E	\$0.523	\$0.533	\$0.516
Army Procurement	\$2.400	\$0.027	\$0.023
Army MILCON	\$0.000	\$0.000	\$0.000
Army BRAC	\$0.000	\$0.000	\$0.000
NAVY APPROPRIATED	\$34.733	\$44.398	\$41.656
Navy O&M	\$34.684	\$44.385	\$41.643
Navy RDT&E	\$0.049	\$0.013	\$0.013
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	\$30.574	\$28.007	\$33.258
Marine Corps O&M	\$30.574	\$28.007	\$33.258
Marine Corps RDT&E	\$0.000	\$0.000	\$0.000
Marine Corps Procurement	\$0.000	\$0.000	\$0.000
Marine Corps MILCON	\$0.000	\$0.000	\$0.000
Marine Corps BRAC	\$0.000	\$0.000	\$0.000
AIR FORCE APPROPRIATED	\$111.801	\$166.582	\$139.057
AF O&M	\$100.004	\$159.251	\$132.348
AF RDT&E	\$11.679	\$7.331	\$6.709
AF Procurement	\$0.118	\$0.000	\$0.000
AF MILCON	\$0.000	\$0.000	\$0.000
AF BRAC	\$0.000	\$0.000	\$0.000
DISA APPROPRIATED	\$105.101	\$118.621	\$107.742
DISA O&M	\$102.431	\$116.181	\$105.351
DISA RDT&E	\$2.614	\$2.417	\$2.378
DISA Procurement	\$0.056	\$0.023	\$0.013
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DEFENSE WIDE APPROPRIATED	\$32.757	\$44.271	\$72.439
Defense Wide Appropriated O&M	\$26.273	\$36.771	\$63.968
Defense Wide Appropriated RDT&E	\$5.703	\$6.847	\$7.670
Defense Wide Appropriated Procurement	\$0.781	\$0.653	\$0.801
Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
Defense Wide Appropriated BRAC	\$0.000	\$0.000	\$0.000
OTHER DoD APPROPRIATED	\$83.880	\$82.458	\$89.389

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)**

	2014	2015	2016
Other DoD Appropriated O&M	\$83.196	\$82.435	\$89.367
Other DoD Appropriated RDT&E	\$0.661	\$0.000	\$0.000
Other DoD Appropriated Procurement	\$0.023	\$0.023	\$0.022
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	\$446.723	\$446.325	\$427.777
ARMY - WCF	\$1.727	\$1.761	\$1.642
Army Industrial Operations	\$1.727	\$1.761	\$1.642
NAVY - WCF	\$18.212	\$15.200	\$16.131
Navy Depot Maintenance	\$4.380	\$4.555	\$3.648
Navy Base Support	\$0.000	\$0.000	\$0.000
Navy Supply Management	\$13.142	\$10.300	\$12.251
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance	\$0.000	\$0.000	\$0.000
Other Navy Activity Groups	\$0.690	\$0.345	\$0.232
AIR FORCE - WCF	\$34.463	\$32.320	\$29.654
Consolidated Sustainment Activity Group (CSAG)	\$13.945	\$12.209	\$11.507
U.S. Transportation Command (TRANSCOM)	\$20.518	\$20.111	\$18.147
DEFENSE WIDE WCF	\$391.114	\$394.995	\$378.502
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	\$94.994	\$115.059	\$115.573
DISA Computing Services (CSD)	\$0.000	\$0.000	\$0.000
Defense Finance and Accounting Service (DFAS)	\$102.447	\$105.381	\$99.323
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$7.799	\$7.082	\$6.671
DLA Supply Chain Management	\$185.874	\$167.473	\$156.935
DEFENSE COMMISSARY AGENCY (DECA)	\$0.001	\$0.583	\$0.568
DECA Operations	\$0.001	\$0.583	\$0.568
DECA Resale	\$0.000	\$0.000	\$0.000
OTHER - WORKING CAPITAL	\$1.206	\$1.466	\$1.280
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	\$950.146	\$1,097.718	\$1,091.390
d. OTHER ORDERS	\$5.507	\$5.923	\$5.823

Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
OTHER FEDERAL AGENCIES	\$5.507	\$5.923	\$5.823
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	\$955.653	\$1,103.641	\$1,097.213
2. Carry In Orders	\$0.000	\$0.000	\$0.000
3. TOTAL GROSS ORDERS	\$955.653	\$1,103.641	\$1,097.213

Revenue and Expenses
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
Revenue			
Gross Sales	\$955.653	\$1,103.641	\$1,097.213
Operations	\$939.144	\$1,082.590	\$1,068.480
Capital Surcharge	\$0.000	\$0.000	\$0.000
Depreciation	\$16.509	\$21.051	\$28.733
Other Income	\$0.000	\$0.000	\$0.000
Refunds/Discounts (-)	\$0.000	\$0.000	\$0.000
Total Income:	\$955.653	\$1,103.641	\$1,097.213
Costs			
Cost of Material Sold from Inventory	\$0.000	\$0.000	\$0.000
Salaries and Wages:	\$227.090	\$234.379	\$240.717
Military Personnel Compensation & Benefits	\$0.914	\$0.917	\$0.907
Civilian Personnel Compensation & Benefits	\$226.176	\$233.462	\$239.810
Travel & Transportation of Personnel	\$1.692	\$2.228	\$2.223
Materials & Supplies (For internal Operations)	\$0.817	\$1.019	\$1.032
Equipment	\$0.000	\$0.000	\$0.000
Other Purchases from Revolving Funds	\$28.867	\$30.564	\$29.821
Transportation of Things	\$0.208	\$0.118	\$0.118
Depreciation - Capital	\$16.509	\$21.051	\$28.733
Printing and Reproduction	\$0.004	\$0.023	\$0.023
Advisory and Assistance Services	\$0.000	\$0.000	\$0.000
Rent, Comm, Utilities, & Misc. Charges	\$274.191	\$306.351	\$279.270
Other Purchased Services	\$409.377	\$503.540	\$515.280
Total Costs	\$958.755	\$1,099.273	\$1,097.217
Operating Results	(\$3.102)	\$4.368	(\$0.004)
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	(\$3.102)	\$4.368	(\$0.004)
Prior Year AOR	(\$24.887)	(\$34.142)	(\$29.774)
Other Changes Affecting AOR	(\$6.153)	\$0.000	\$0.000
Total AOR	(\$34.142)	(\$29.774)	(\$29.778)
Retained AOR	\$0.000	\$0.000	\$0.000
Cumulative Retained AOR	\$0.000	\$0.000	\$0.000
AOR for Budget Purposes	(\$34.142)	(\$29.774)	(\$29.778)

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

FISCAL YEAR (FY) 2016 BUDGET ESTIMATES

The *Telecommunications Services* component of the *Information Services Activity Group* provides a set of high quality, reliable, survivable, and secure telecommunications services to meet the Department's command and control requirements. The major component of Telecommunications Services is the Defense Information Systems Network (DISN). The DISN provides the interoperable telecommunications connectivity and value-added services required to plan, implement, and support operational missions through dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services. The robustness of this telecommunications infrastructure has been demonstrated by DISA's repeated ability to meet terrestrial and satellite surge requirements in Southwest Asia while supporting disaster relief and recovery efforts throughout the world. Overall, the DISN provides a lower customer price through bulk quantity purchases, economies of scale and reengineering of current communication services. Some of the DISN services are provided to customers in pre-defined packages and sold on a subscription basis, while other services are sold individually on a cost reimbursable basis. This submission includes significant efforts to reduce information technology and telecommunications costs across the Department, including partnering with Army to implement Joint Regional Security Stacks, continued elimination of legacy systems and replacement with IP-based services, and efficiencies in network security requirements across the DISN. These efforts are discussed in detail on the following pages.

The *Enterprise Acquisition Services* component is the Department's ideal source for procurement of best-value and commercially competitive information technology. Enterprise Acquisition Services provides contracting services for information technology and telecommunications acquisitions from the commercial sector and provides contracting support to the DISN programs, as well as to other DISA, DoD, and authorized non-Defense customers. This budget reflects significant projected workload growth for Enterprise Licensing Agreements (ELAs). Although customer adoption of ELAs had been slower than expected in FY 2014, growth in this area is expected and will enable the Department to capitalize on economies of scale for software purchases.

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

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Revenue	\$6,164.1	\$7,146.0	\$7,728.0
Cost	\$6,044.0	\$7,084.8	\$7,623.5
Net Operating Result	\$120.0	\$61.2	\$104.6
Other Factors Affecting NOR**	\$0.0	\$0.0	(\$62.0)
Prior Year Accumulated Operating Results (AOR)	\$145.3	\$265.3	\$97.4
Total AOR	\$265.3	\$326.5	\$140.0
Retained AOR	\$0.0	\$229.1	\$110.2
Total Retained AOR	\$0.0	\$229.1	\$339.3
AOR for Budget Purposes	\$265.3	\$97.4	\$29.8
Capital Budget	\$17.1	\$38.4	\$1.0
Civilian Work years	1,463	1,532	1,558
Military End Strength	74	82	69

*Fiscal Year 2014 data are actual results.

** JRSS sustainment added to DSS only recognized revenue not cost. Cost will be recognized at a later date.

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

In FY 2015 and FY 2016, stabilized rates are set to recapitalize the cash corpus of the fund and improve DISA's unobligated balance. As shown in the above summary chart for Telecommunication Services/Enterprise Acquisition Services, DISA plans to retain \$339.3 million of accumulated operating results through FY 2016. This retained AOR will allow DISA to remain operationally flexible as new requirements such as Government-wide Accounting (GWA) and associated daily cash reporting will increase the volatility of cash levels. Additional details on TS/EAS operating cost and rates are discussed in later sections.

Telecommunications Services Program Structure

The table below illustrates DISA’s telecommunication service offerings and the major cost centers that support those offerings:

DISN Program Element	Program Function	Program Sub-Function	Product Offering/Description
DISN SUBSCRIPTION SERVICE	Real Time Services	Voice	Defense Switched Network (DSN) Defense Red Switch Network (DRSN)
			Video
		Data	Non-Secure Internet Protocol Network (NIPRNet) Secure Internet Protocol Network (SIPRNet) Joint Worldwide Intelligence Communications System (JWICS) DISN Leading Edge Services (DISN-LES) - <i>testing network</i>
		Interoperability	<i>Ensures hardware and software acquired from multiple sources functions with like products.</i>
	Transport	Bandwidth Management	Access Backbone
			Maintenance
		Core Sustaining Activities	Warehousing Minor Equipment Installation Other Sustaining Activities
			Transport Support
	Mission Assurance	Information Assurance Activities	Enterprise Cross Domain Services Network Operations of Enterprise Infrastructure Network Hardening PKI and Directories Secure Configuration Management
	Centralized Services		Operational Support Services
			Customer Support Services
			Connection Approval Office
			Network Services Support
	Security and Assurance	Field Security Operations (FSO)	Network Security Monitoring Command Cyber Readiness Inspections (CCRIs) Joint Regional Security Stack (JRSS)
Theater Network Operations		Network Oversight	
OTHER TELECOM SERVICES	Voice Services	Joint Hawaii Information Transfer System (JHITS)	
	Satellite Services	Commercial Satellite Services (COMSAT) Enhanced Mobile Satellite Services (EMSS) Mobile Satellite Service Broadband Global Access Network (MSS BGAN)	
	Other Services	Cross Domain Services (CDS) Joint Regional Security Stack (JRSS) Mobility Organizational Messaging DoD Enterprise Classified Travel Kit (DECTK) DoD COOP Integrated Network (DCIN) Circuit Integration Support Reimbursable legacy technologies (e.g., ATM and ISDN) Customer Funded Projects (CFP)	
	Mission Assurance	Public Key Infrastructure (PKI)	
	Security and Assurance	Field Security Operations (FSO)	

DISN Subscription Services

Highlights:

This submission includes a reduction to DISN Subscription Services costs in FY 2016. These cost savings, combined with prior year operating results and lower FY 2015 costs, result in a 9.3 percent reduction in the FY 2016 DISN Subscription Share Price. Details of how the savings will be achieved are discussed below.

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 subsequently, as well as for specialized services. This budget reflects much of DISA's key initiatives like expanding core implementation and sustaining activities for the joint information environment (JIE) architecture. Enhancements include: the joint DISA/Army effort to consolidate overlapping optical transport networks in Europe; router upgrades to improve diversity and support advanced multi-protocol label switching (MPLS) and IP routing technologies, which will bring the network in line with 100G connectivity; and Internet Access Point (IAP) expansion in CONUS and IAP Router upgrades in OCONUS to improve bandwidth utilization and reduce Internet latency and packet loss. Despite ongoing network expansion, decreased costs for transport services are planned due to continued efforts to eliminate and optimize legacy systems, improve bandwidth utilization, and transition to more cost effective circuit leases.

Voice Services provide day-to-day commercially competitive services plus unique secure military requirements. Voice Services include operation of the unclassified Defense Switched Network and the classified Defense Red Switch Network. This budget reflects the DoD's overarching technical strategy and directive to implement technology replacement of legacy systems with IP-converged services. The unclassified legacy service (DSN) will transition the current network infrastructure from a Time Division Multiplexing (TDM) circuit-switched network to an IP-based network by FY 2016.

Video Services provide global unclassified and classified video teleconferencing capabilities for the DoD and other government agencies. Consistent with the DoD's Unified Capabilities Master Plan, DISA has partnered with Industry to develop a Global Video Service for over 2.4 million users. This solution provides IM/Chat/presence, collaboration, and peer-to-peer and multi-user conferencing over an IP-based network. DISA began offering the next generation of video teleconferencing services in FY 2014 and will completely eliminate the legacy video service (DVS-G) infrastructure by FY 2016.

Data Services provide Secure Internet Protocol Router Network as well as Non-classified Internet Protocol Router Network capabilities. Additionally, Data Services includes IP transport for the Defense Intelligence Agency-managed Joint Worldwide Intelligence Communications System by providing comprehensive, worldwide, secure high-speed

multimedia, Top Secret/Sensitive Compartmented Information communications services for the DoD intelligence community and other federal agencies. Data Services also includes DISN Test and Evaluation Network support, which is used by the command, control, intelligence, and mission support communities to conduct development, certification, and operational test and evaluation activities to ensure programs meet network requirements prior to deployment.

The following items describe the activities necessary to maintain the DISN's operational capability and achieve the high-availability, secure, and robust service that our DoD customers require.

Operational Support Services provides the tools necessary to automate the operations, administration, maintenance, and provisioning/engineering activities for the DISN. These same tools give network managers/monitors the capability to "see" the network in real-time, a critical capability necessary to resolve crisis and other network events. This budget includes the elimination of a number of legacy service management systems by the end of FY 2016 as mission partners are migrated to IP-based technologies.

Mission Assurance activities support the DISN by designing and deploying proactive protections, deploying attack detection, and performing information assurance operations to ensure that adequate security is provided for information collected, processed, transmitted, stored, or disseminated on the Department of Defense Information Network (DODIN). These efforts include tasks associated with affording protection to telecommunications, information systems, and information technology that process sensitive and classified data as well as efforts to ensure the confidentiality, authenticity, integrity, and availability of the information and the systems. Specifically, this includes activities such as trusted identity and access management infrastructure enabling common access card logon to DoD systems and applications while facilitating secure net-centric information sharing and a host-based security system solution suite of tools allowing prevention, detection, tracking, reporting, and remediation of malicious computer-related activities and incidents across all DoD networks and information systems throughout the DoD Enterprise. This budget includes efforts to streamline and consolidate information assurance contracts in order to deliver savings to DISN customers while maintaining high levels of network security.

Security and Assurance Services enhance the security and availability of the Department of Defense Information Network (DODIN) by ensuring adherence to Information Assurance and Network Operations policies. Services to be recovered via the DISN share price are network security monitoring and oversight of sensors installed on the DISN backbone and Command Cyber Readiness Inspections. Additional security and assurance services are described in subsequent sections and are provided as separate reimbursable offerings.

Centralized Services are a group of critical mission support activities that support all DISN services. These services are critical in maintaining the DISN's operational capabilities and achieving the high-availability, secure, and robust services required by DISN

customers. The centralized services support all DISN products and services, and consist of the following groups:

- The **Connection Approval Office** approves secure interoperable connections in support of the operating forces and mission partners for applications, information systems and networks authorized to operate on the enterprise infrastructure.
- **Customer Support Services** operates the DISN Customer Call Center, located at Columbus, Ohio, to respond to customer incidents and connection issues 24 hours per day, 365 days per year.
- The **DISA Theater Network Operations Centers** monitors and reacts to real-time network traffic and events. The Theater Network Operations Centers and Field Commands are located in the Continental United States, Southwest Asia, Pacific, and Europe and are staffed 24 hours per day, 365 days per year.

As previously discussed, DISN services are bundled together and sold on a subscription package basis. The Department of Defense uses the matrix shown below to distribute costs to users based on two factors; the services they receive and the bandwidth DISA is required to provision in order to deliver those services. Each DISN site is assigned a number of shares based on the matrix, which combined with the per-share price, determines the total annual “subscription” for the military departments/agencies. The DISA updates the DISN site list annually based on input from the DoD components.

Subscription Service Package	Bandwidth Size				Number of Shares
	Small ≤DS3	Medium >DS3 to ≤OC3	Large >OC3 to ≤OC12	Mega >OC12	
Transport/ISR Only: No DISN Services	1	1	1	1	
Mission Essential: Any of the following - SIPRNet, NIPRNet, Unclassified Voice, Video Services	1	2	6	8	
Command and Control (C2): Any of the following with some form of Diversity - SIPRNet, NIPRNet, Unclassified Voice, Video Services	2	8	24	36	
C2 Plus: C2 with Joint Worldwide Intelligence Communications System or Classified Voice	5	10	30	40	
C2ISR: C2, Joint Worldwide Intelligence Communications System, Classified Voice, and Intelligence, Surveillance, and Reconnaissance (ISR)	8	16	48	72	

The table below provides a synopsis of DISN Subscription Services financial data for this budget submission, including the calculated share price:

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Transport	\$551.6	\$573.1	\$515.8
Real Time Services (voice, video, data, interoperability)	\$157.9	\$159.3	\$154.3
Mission Assurance (includes Security & Assurance Svcs)	\$199.4	\$245.3	\$220.8
Centralized Services			
Operational Support Services	\$166.4	\$169.6	\$159.0
Other Centralized Services	\$107.3	\$129.8	\$107.4
DISA Network Operations Centers	\$37.5	\$38.4	\$36.6
Total DISN Subscription Services Costs	\$1,220.0	\$1,315.4	\$1,193.9
Number of Sites	347	339	337
Number of Shares	8,778	8,849	9,129
Price Per Share (whole dollars)	\$148,753	\$151,579	\$137,500
Unit Cost Per Share (whole dollars)	\$138,984	\$148,653	\$130,780

*Fiscal Year 2014 data are actual results.

The table below shows the distribution of all subscription services shares by customer, as well as the associated cost to each customer (revenue collected by DISA) for FY 2015 and FY 2016.

Service/Agency (\$ in Millions)	FY 2015 Shares	FY 2015 Cost to Customer	FY 2016 Shares	FY 2016 Cost to Customer
Army	2,193	\$332.4	2,256	\$310.2
Navy	1,823	\$276.3	1,786	\$245.6
Marine Corps	458	\$69.4	477	\$65.6
Air Force	3,719	\$563.7	3,889	\$534.7
Defense Agencies	337	\$51.1	407	\$56.0
Other DoD	206	\$31.2	206	\$28.3
Other Federal and Non-Federal Agencies	113	\$17.1	108	\$14.9
TOTAL	8,849	\$1,341.3	9,129	\$1,255.2

The increase in shares shown in the above table indicates that the historical trend of increased customer demand for bandwidth and DISN services continues. As explained in further detail subsequently, customer-driven increases in shares drive program growth in customer accounts.

TS/EAS Trends: Increased Customer Demand for Network Services

As previously discussed, specific network services are packaged together and sold on a subscription basis. After consultation and coordination with subscription services customers, DISA develops a subscription services site and shares list each year. The number of shares assigned to a specific customer (at any particular site) are directly related to the amount of bandwidth provisioned at a site in order to meet the customer's demand and the types of DISN services that the customer requires at the site. Therefore, an increase in shares is an indication of increased customer demand for bandwidth and/or DISN services.

The table below shows 4.0 percent growth in customer demand as measured by number of shares over the most recent three-year period:

Service/Agency	Shares FY 2014	Change FY 2014 to FY 2016	Percent Change FY 2014 to FY 2016	Shares FY 2016
Army	2,177	79	3.6%	2,256
Navy	1,812	-26	-1.4%	1,786
Marine Corps	458	19	4.1%	477
Air Force	3,614	275	7.6%	3,889
Defense Agencies	376	31	8.2%	407
Other DOD	206	0	0.0%	206
Other Federal and Non-Federal Agencies	135	-27	-20.0%	108
TOTAL	8,778	351	4.0%	9,129

The table below illustrates that customer demand for DISN services and bandwidth continues to increase by displaying the change in number of sites by service package and bandwidth size over the most recent three-year period (FY 2014 to FY 2016).

Subscription Service Package	Bandwidth Size				Change in Number of Sites
	Small ≤DS3	Medium >DS3 to ≤OC3	Large >OC3 to ≤OC12	Mega >OC12	
Transport/ISR Only: No DISN Services	-1	+1	--	--	
Mission Essential: Any of the following - SIPRNet, NIPRNet, Unclassified Voice, Video Services	-7	+2	-5	+1	
Command and Control (C2): Any of the following with some form of Diversity - SIPRNet, NIPRNet, Unclassified Voice, Video Services	--	-4	-5	+12	
C2 Plus: C2 with Joint Worldwide Intelligence Communications System or Classified Voice	-4	--	-6	+5	
C2ISR: C2, Joint Worldwide Intelligence Communications System, Classified Voice, and Intelligence, Surveillance, and Reconnaissance (ISR)	--	--	-1	+2	

DISN Reimbursable Programs

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

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Commercial Satellite Services	\$485.9	\$522.6	\$535.0
Enhanced Mobile Satellite Services (Iridium)	\$100.0	\$120.8	\$138.1
Overseas Contingency Operations (OCO)	\$9.1	\$0.0	\$0.0
Customer-unique Projects	\$24.2	\$39.1	\$68.2
Joint Hawaii Information Transfer System	\$18.2	\$18.5	\$18.9
Organizational Messaging	\$39.2	\$20.3	\$20.6
Mobility	\$0.4	\$11.6	\$13.7
Public Key Infrastructure - Service to Other Federal Agencies	\$2.6	\$4.4	\$4.0
Security and Assurance Services	\$28.4	\$43.4	\$42.1
Defense Continuity of Operations Integrated Network	\$3.2	\$3.4	\$3.4
Cross Domain Services	\$9.4	\$11.2	\$11.6
DISA/Army Joint Regional Security Stack	\$4.2	\$62.8	\$94.9
Other Reimbursable Services	\$4.3	\$7.0	\$10.3
Total DISN Reimbursable Costs	\$729.1	\$865.1	\$960.9

*Fiscal Year 2014 data are actual results.

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

Enhanced Mobile Satellite Service (EMSS) is a global mobile satellite communications system that provides secure voice, data, paging, and messaging communications capabilities to DoD, non-DoD, and foreign subscribers as needed. This program also offers the Distributed Tactical Communications System, comprised of push-to-talk voice and data services that leverage the 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. Cost increases in FY 2016 are primarily attributable to increased depreciation costs for capital projects, as well as the planned increase for EMSS's multi-year Airtime contract, awarded in FY 2014.

Overseas Contingency Operations (OCO) (through FY 2014) include costs for bandwidth lease requirements that provide in-theater COMSATCOM capabilities for voice, data, imagery, broadcast, and teleconferencing networks.

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

The **Joint Hawaii Information Transfer System (JHITS)** provides voice, video, and data services to military bases in the state of Hawaii. Costs are estimated to remain stable through the budget year.

Organizational Messaging provides secure and guaranteed exchange of messages between DoD and non-DoD organizations, Allies, and the intelligence community (IC). In FY 2014, this service was modified to provide only mission critical messaging traffic in support of national security. Savings in FY 2015 reflect the transition of the current legacy messaging services to Information Transport Services (ITS). Support will continue for automated message handling systems by using legacy national gateway centers as infrastructure. This significantly simplifies the DoD Messaging architecture, provides essential capabilities for the NC3 community, and continues interoperability with Allies, the IC, and non-DoD organizations.

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

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

Security and Assurance Services requested by specific customers are recovered via reimbursement. Certain services are provided as stand-alone offerings, while others are bundled into subscriptions. Examples of services requiring direct reimbursement include the certification of systems, Computer Network Defense Service Provider (CNDSP) inspections, IA readiness reviews, and malware analysis.

The **Defense Continuity of Operations Integrated Network (DCIN)** is a classified Pentagon network utilized by senior DoD leadership. Network costs remain stable in FY 2015 and FY 2016.

Cross Domain Services (CDS) are responsible for enhancing security and availability of the Department of Defense Information Network (DODIN) by ensuring adherence to Information Assurance and NetOps policies governing transfer of information between

domains. Services offered on a cost reimbursable basis include Enterprise Hosted Structured File Transfer and Enterprise Hosted Web Service functions. Services related to Enterprise Cross Domain Email and Enterprise Cross Domain File Sharing are included in DISN Subscription Services.

The ***Joint Regional Security Stack (JRSS)*** is a new architecture-sharing and modernization approach to managing the network which began in FY 2014. Hundreds of Army's network security stacks will be consolidated into regional security stacks where DISA will be responsible for providing sustainment support. Regional security stacks are designed to improve network defense command and control and situational awareness and are essential to enabling single security architecture in the joint information environment (JIE) and increasing network security posture. Sustainment of completed Joint Regional Security Stacks will be funded within DISN Subscription Services beginning in FY 2016. Prior to FY 2016, costs will be recovered on a reimbursable basis.

The ***DoD Enterprise Classified Travel Kit (DECTK)*** is a new service that provides combatant commanders and other high-profile users with remote access, via the Internet, to Enterprise Classified Voice over Internet Protocol (ECVoIP) and SIPRNet data services. Costs for program management, such as engineering, implementation, and maintenance will be recovered on a direct reimbursable basis. Customers are responsible for procuring their own travel kits.

As ***DISN legacy technologies*** are declared obsolete, DISA has established policy to remove the costs for these services from the DISN Subscription Services rate. Customers who elect to continue using legacy services will pay for those services on a reimbursable basis. This approach is designed to incentivize mission partners to move to new technologies and away from more costly legacy services. Beginning in FY 2016, costs for Asynchronous Transfer Mode (ATM) and Integrated Services Digital Network (ISDN) will be recovered on a reimbursable basis. The availability of Multi-Protocol Label Switching (MPLS) and Quality of Service (QoS) renders these services obsolete and generally no longer necessary for most DISN users. Rates will be established as mission partner requirements are refined.

Enterprise Acquisition Services

The primary mission of the Information Services Activity Group - Enterprise Acquisition Services (EAS) component is to meet Department of Defense (DoD) and authorized non-defense customers' requirements for telecommunications and information technology (IT) products and services from the worldwide commercial sector through flexible, innovative, and responsive acquisition actions. The mission also includes acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. The Enterprise Acquisition Services component encompasses a variety of support services to meet information technology contract requirements and provides contract support to all DISN subscription services. This budget submission reflects workload growth for Enterprise Licensing Agreements over current

orders. This new workload provides economies of scale to the DoD when purchasing software licenses.

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

(\$ in Millions)	FY 2014*	FY 2015	FY 2016
Army	\$1,068.9	\$1,271.7	\$1,332.9
Navy	\$233.2	\$220.6	\$245.5
Marine Corps	\$24.9	\$26.8	\$27.4
Air Force	\$452.4	\$486.1	\$557.5
Defense Agencies	\$2,168.0	\$2,739.7	\$3,115.1
Other DoD	\$89.6	\$117.9	\$158.5
Other Federal and Non-Federal Agencies	\$76.8	\$76.9	\$75.0
Total Gross Orders	\$4,113.7	\$4,939.6	\$5,511.9

*Fiscal Year 2014 data are actual results.

Contracting Services mission is accomplished by DISA's Defense Information Technology Contracting Organization (DITCO), which provides contracting services for the Defense Information Systems Network (DISN), Computing Services, and a wide range of other DoD programs that require information technology contracting and contract management services. The DITCO also establishes large contract vehicles available to DoD for essential IT services such as cyber security, information assurance, enterprise license agreements, engineering, hardware, equipment, software integration and support, DISN access, and Non-DISN telecommunications circuits. Non-DISN telecommunications circuits and systems are ordered on an individual basis and are fully reimbursed by customers. In addition, the Enterprise Acquisition Services component encompasses a variety of support services to meet information technology contract requirements and provides contract support to all DISN subscription services.

Enterprise License Agreements provide economies of scale to DoD when purchasing software licenses. The DISA has assumed a large business volume with relatively small contracting costs, which allows DISA to offer this service at a rate lower than the standard DITCO fee-for-service. Customers will be charged a 0.5 percent rate for utilizing these agreements. This budget reflects significant workload growth, driven primarily by Army and DISA, in FY 2015 and FY 2016.

Operating costs of \$126.6 million fund the civilian salaries, accounting support—including large-scale invoice processing—and contracting and financial support systems to execute the IT and telecommunications contracting activities described above. In addition, the operating cost will also fund the sustainment of a new cost accounting system for the TS/EAS business area. The new accounting system will provide additional cost granularity, improve business processes and provide the capability to produce a single set of financial statements for the Information Services Activity Group. All operating costs are recovered via fees charged to customers. For standard contracting services, the fee remains at 2.5 percent in FY 2016.

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

(\$ in millions)	FY 2014*	FY 2015	FY 2016
FY 2015 President's Budget	\$7,088.2	\$7,320.9	
FY 2016 Current Estimates	\$6,044.0	\$7,084.8	\$7,623.5
Change FY 2015 President's Budget to Current Estimate	(\$1,044.2)	(\$236.0)	-
Change FY 2015 Current Estimate to FY 2016 Current Estimate	-	-	\$538.6

*Fiscal Year 2014 data of FY 2016 current estimates are actual results.

FY 2015 President's Budget Submission to FY 2015 Current Estimates

Total cost of sales for TS/EAS decreases by -\$236.0 million from the FY 2015 President's Budget and is comprised of the following:

A net decrease of -\$5.1 million is attributable to changes in cost for ***DISN Subscription Services***. Increases in cost to support customer demand for transport are offset by reductions in network management.

Costs increase for ***DISN reimbursable services*** by a net total of +\$7.6 million. This is primarily driven by an increase of +\$39.4 million in customer-funded workload, largely in support of the build-out of Joint Regional Security Stacks (JRSS). Also, costs for the new DoD Enterprise Classified Travel Kit (DECTK) service (+1.8 million) and support for new Air Force-funded Cyber Protection Teams at DISA CONUS (+\$2.3 million) are included. These increases are partially offset by decreases in workload estimates for Satellite Services, Cross Domain Services, and Security and Assurance Services to more closely align with current customer demand (-\$35.8 million).

Finally, workload and operating cost estimates for DISA's Enterprise Acquisition Services decrease by a net total of -\$238.5 million. The primary driver for the reduction is a decrease in customer IT contracting workload, specifically the Encore II contract and Enterprise Licensing Agreements (-\$227.0 million). Other reductions include decreases in equipment maintenance contracts (-\$3.0 million), a net reduction in civilian pay due to an adjustment to the full-time equivalent utilization rate to more closely align with recent hiring trends (-\$3.3 million), and a decrease in operating costs for the new Working Capital Fund Core accounting system due to those costs being reclassified as a capital investment (-\$12.8 million). These decreases are partially offset by an increase in customer non-DISN telecommunications contracting requirements and other miscellaneous changes to more closely align with current execution trends (+\$7.6 million).

FY 2015 Current Estimate to FY 2016 Current Estimate

Costs increase by +\$538.6 million from FY 2015 to FY 2016. Of this increase, +\$95.3 million is attributable to inflation. The remaining increase is primarily attributable to a net increase in IT contracting workload based on historical trends, expected increases in demand for Enterprise Licensing Agreements (+\$485.0 million) and the acquisition workforce to support these contracting efforts (+\$2.4 million). Other increases support the customer-funded procurement of Joint Regional Security Stacks (+\$59.6 million), customer workload for Satellite Services (+\$19.6 million) and Mobility (+\$1.9), and other increases in operating costs primarily associated with the new Working Capital Fund Core accounting system (+\$1.3 million). These increases are partially offset by a reduction in non-DISN telecommunications contracting workload for the Federal Aviation Administration (-\$2.1 million) as well as significant reductions in cost within the DISN Subscription Services that contribute to a 9.3 percent decrease in the FY 2016 DSS share price.

Cost reductions within the DISN Subscription Services include: elimination/optimization of legacy technologies (-\$46.3 million); significant network security efficiencies primarily driven by the consolidation and streamlining of various contracts (-\$19.5 million); optimization of bandwidth contracts (-\$17.2 million); reduced costs for the fit out of the new DISA CONUS building at Scott Air Force Base and a corresponding decrease in rental payments (-\$16.0 million); network operations contract support efficiencies (-\$10.2 million); removal of FY 2015 one-time costs for process improvement efforts (-\$6.8 million); planned reductions in costs for server and storage requirements at the DECCs commensurate with the 10 percent composite rate reduction (-\$6.0 million); pricing decreases in connection approval support contracts (-\$1.2 million); and a reduction in IT equipment and support at DISA CONUS (-\$0.8 million). Other miscellaneous costs decrease by -\$0.2 million.

Capital Investment Program Summary

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Equipment	\$0.0	\$5.8	\$0.0
ADPE and Telecom	\$12.2	\$5.6	\$1.0
Software	\$4.8	\$27.0	\$0.0
Minor Construction	\$0.0	\$0.0	\$0.0
Total Program Authority	\$17.1	\$38.4	\$1.0
FY 2015 President's Budget	\$17.6	\$15.6	
Change FY 2015 President's Budget to Current Estimates	(\$0.6)	\$22.9	-
Change FY 2015 Current Estimate to FY 2016 Current Estimate	-	-	(\$37.4)

*Fiscal Year 2014 data are actual obligations.

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

FY 2015 President's Budget to FY 2015 Current Estimates

The FY 2015 capital authority increases by \$22.9 million, primarily due to the reclassification of costs supporting the new Working Capital Fund Core financial system to the capital investment program. Also, costs increase due to new requirements for the secure handset system upgrade, and the addition of the JHITS battery replacement project and equipment purchases for the new DISA CONUS facility. The secure handset cost increase is necessary to support an NSA requirement to transfer to an enhanced encryption algorithm vice the basic encryption, as originally planned. The JHITS battery project is to maintain backup power. The equipment purchases are required to complete the fit out of a new DISA CONUS facility at Scott AFB, Illinois, and will provide an audio/visual system, security system, and network encryptors.

FY 2015 Current Estimates to FY 2016 Current Estimates

The FY 2016 capital authority request decreases by \$37.4 million primarily due to the completion of planned FY 2015 projects.

Civilian Manpower

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Civilian End Strength	1,446	1,623	1,627
Civilian Full Time Equivalents	1,463	1,532	1,558
Civilian Labor Cost	\$ 182.1	\$ 194.1	\$ 198.4

*Fiscal Year 2014 data are actual results.

Civilian manpower increases from FY 2014 to FY 2015 by 69 full time equivalents (FTEs) and is largely attributable to an increase in Telecommunications Services to support the functional transfer of Cross Domain Enterprise Services, expansion of Unified Capabilities, and an increase to network services support to fill vacant FY 2014 positions due to hiring delays. There is also an increase in contracting officers and cost estimators to support new workload growth for Enterprise License Agreements.

Civilian manpower increases by a net of 26 FTEs in FY 2016. This is due to an increase in security personnel at the new DISA CONUS building, additional personnel to support new Mobility workload, and an increase in the acquisition workforce to support increased workload for IT contracting and Enterprise License Agreements.

Military Manpower

(\$ in millions)	FY 2014	FY 2015	FY 2016
Military End Strength	74	82	69
Military Labor Cost	\$6.6	\$5.6	\$4.8

*Fiscal Year 2014 data are actual results.

The decrease in military end strength from FY 2015 to FY 2016 is largely due to a planned decrease in military manpower for network operations and network services support.

Performance Measures

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

Telecommunications Services Performance Measures

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

SERVICE OBJECTIVE	FY 2014 Actual	FY 2015 Operational Goal	FY 2016 Operational Goal
Non-Secure Internet Protocol Router Network access circuit availability	99.69%	98.50%	98.50%
Secure Internet Protocol Router Network latency (measurement of network delay) in the continental United States	46 milliseconds	Not to exceed 100 milliseconds	Not to exceed 100 milliseconds
DISN Video Services availability	99.97%	99.60%	99.60%
Defense Red-Switch Network switch availability	99.52%	99.50%	99.50%

Enterprise Acquisition Services Performance Measures

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

SERVICE OBJECTIVE	FY 2014 Actual	FY 2015 Operational Goal	FY 2016 Operational Goal
Percent of total eligible contract dollars competed	76.84%	78.30%	78.30%
Percent of total eligible contract dollars awarded to small businesses	33.00%	26.00%	26.00%

Rates

DISN Subscription Services Share Price

The subsequent table shows changes in the number of sites, shares, total cost and cost per share. As previously discussed, the change in the number of shares is directly correlated to customer demand for services and bandwidth, a key factor in the overall cost of the network.

The subscription share price in FY 2016 decreases by 9.3 percent. Shown below are the financial data for DISN Subscription Services.

(\$ in millions)	FY 2014*	FY 2015	FY 2016
Revenue	\$1,304.6	\$1,341.3	\$1,255.2
Cost	\$1,220.0	\$1,315.4	\$1,193.9
Number of Sites	347	339	337
Number of Shares	8,778	8,849	9,129
Annual Price per Share	\$148,753	\$151,579	\$137,500
Unit Cost Per Share	\$138,984	\$148,653	\$130,780

*Fiscal Year 2014 data are actual results.

Security and Assurance Services

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

1. DISN Subscription Services (DSS) share price – costs for services that benefit the entire DISN network and user community will be recovered via the share price.
2. Direct Reimbursement – costs for services performed for a specific customer, such as monitoring sensors on the customer side of a router, will be recovered on a direct-reimbursable basis.
3. Computer Network Defense Service Provider Subscription – customers can choose to sign-up for a yearly subscription package that includes various types of

testing and analysis as well as exercise support and training, as described subsequently:

Service	Cost Recovery Mechanism
Command Cyber Readiness Inspections (CCRIs)	DISN Subscription Services: Costs for CCRIs will be recovered through the DSS share price. These inspections ensure compliance at all connected sites and therefore benefit the entire DISN community.
Network Security Monitoring and Incident Reporting	DISN Subscription Services: Costs for sensors that are placed directly on the DISN backbone will be recovered through the DSS share price. The monitoring of these sensors benefits the entire DISN community.
Computer Network Service Assessments	Direct Reimbursement: Customers will be charged these assessments on the technical and non-technical services of a CNDSP.
System & Enclave Certification	Direct Reimbursement: Customers will be charged based on the size (small, medium, large) of the enclave/system being certified.
Computer Network Defense Service Provider (CNDSP) Subscription Services	CNDSP Subscription: Each yearly subscription will include recurring System Architecture Analysis & Testing, Trends Analysis, Penetration Testing, Vulnerability Assessment Analysis & Trending, CNDSP Subscriber Services Support, and one (1) each of the following: Incident Response and Recovery Team, Malware Analysis, Media Analysis, CNDSP Exercise Support, and Red Teaming. It will also include two (2) seats per year for IA Training Program Support. Anything over these limits will be charged on a usage basis.
Mission Assurance (MA) Analysis	Direct Reimbursement: Customers can choose any of the IA Analysis services offered and will provide reimbursement for the actual cost of providing the analysis.

DoD Mobility

The table below shows the monthly rate per device for DoD Mobility as an enterprise service. The rate recovers costs for enterprise-level mobile communications services, to include access to a DoD Mobile Application Store. The Mobility service is offered at three different security levels; unclassified, secret and top secret.

For unclassified services, customers are responsible for purchasing their own approved mobile devices and data/air time plans. Devices for classified use must be purchased through DISA. In accordance with DWCF policy, customers are required to place orders and provide payment for Mobility services.

DoD Mobility Rates	FY 2014	FY 2015	FY 2016
Unclassified Device	\$7.36	\$7.36	TBD
SIPR Device	\$126.63	\$126.63	TBD
Top Secret Device	\$278.05	\$278.05	TBD

Cross Domain Services

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

Cross Domain Rates	FY 2014	FY 2015	FY 2016
Development/New Filter	\$25,600	\$26,880	TBD
Pre/Post Deployment/New Customer	\$136,320	\$143,136	TBD
Basic Monthly Rate/Filter	\$5,199	\$5,547	TBD

Commercial Satellite Communications Services

DISA charges a standard rate for all Commercial Satellite Services procured on behalf of customers. The rate recovers contracting costs, vendor incentive fees, labor support costs, and a small amount of travel associated with delivering both Fixed Satellite Services and Mobile Satellite Services.

Commercial Satellite Services Rates	FY 2014	FY 2015	FY 2016
Standard Rate	2.28%	2.16%	TBD

Enterprise Acquisition Services Rate

The standard fee-for-service contracting rate remains at 2.5 percent in FY 2016. The DISA has established a 0.5 percent rate for customers utilizing Enterprise License Agreement contracts. DISA is able to provide the Department with economies of scale on these large, enterprise licensing contracts, one of the goals of the Department's IT efficiencies roadmap.

Contracting Rates	FY 2014	FY 2015	FY 2016
Standard Fee-for-Service	2.00%	2.50%	2.50%
Enterprise License Agreement Services	0.50%	0.50%	0.50%

Changes in the Costs of Operations
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

FY 2014	Actual	\$6,044.020
FY 2015	Estimate in President's Budget	\$7,320.857
	<i>Efficiencies:</i>	
	Reduction in network management costs to more closely align with FY 2014 execution	(\$20.932)
	Equipment maintenance reduction due to decreases in functional and technical support contract and elimination of sustainment for legacy order entry system	(\$3.026)
	Net reduction in civilian pay due to adjustment in utilization rate to more closely align with historical hiring lag at the Defense Information Technology Contracting Organization (DITCO)	(\$3.262)
	<i>Program Changes:</i>	
	Net decrease in customer IT contracting workload primarily due to reduced requirements for Encore II contracts and Enterprise Licensing Agreements	(\$227.018)
	Reduced workload estimates primarily for Satellite Services, Cross Domain Services, and Security and Assurance Services to more closely align with current customer demand	(\$35.808)
	Decreased operating costs for new Working Capital Fund Core accounting system	(\$12.820)
	Increased customer funded workload, primarily associated with Joint Regional Security Stacks (JRSS) requirements	\$39.425
	Increased bandwidth requirements to support customer demand for transport	\$16.126
	Increase in customer non-DISN telecommunications contracting requirements to align with actual FY 2014 execution	\$7.130
	Increased cost to support new Air Force Cyber Protection Teams at DISA CONUS	\$2.252
	Increased cost to support a new secure IP communications capability, the DoD Enterprise Classified Travel Kit (DECTK)	\$1.750
	Miscellaneous	\$0.172
FY 2015	Current Estimate	\$7,084.846

Changes in the Costs of Operations
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

FY 2015	Current Estimate	\$7,084.846
	<i>Pricing Adjustments:</i>	
	Non-labor Inflation	\$92.877
	Civilian/Military Pay Raise	\$1.927
	Annualization of Civ/Mil Pay Raise	\$0.499
	<i>Efficiencies:</i>	
	Elimination/optimization of legacy technologies and continued transition to IP convergence:	
	▪ <i>Elimination of legacy DISN Asynchronous Transfer Mode Services (DATMS);</i>	
	▪ <i>Elimination of legacy Integrated Services Digital Network (ISDN);</i>	(\$46.314)
	▪ <i>Optimization of legacy Time-Division Multiplexing (TDM);</i>	
	▪ <i>Optimization of Promina network</i>	
	Reduction in transport costs due to optimization of bandwidth utilization and transition to more cost effective circuit leases	(\$17.238)
	Network operations contract support efficiencies primarily associated with a reduction in personnel that provide manual provisioning and troubleshooting activities	(\$10.238)
	Contract efficiencies for Host Based Security System (HBSS) and Public Key Infrastructure	(\$9.337)
	Removal of FY 2015 one-time contract costs for process improvement efforts	(\$6.805)
	Reduction in DECC bill due to Computing Services 10% composite rate reduction	(\$5.997)
	Reduction in enclave sensors due to planned architectural changes associated with the implementation of Joint Regional Security Stacks (JRSS)	(\$2.500)
	Reduction in the number of Command Cyber Readiness Inspections (CCRIs) conducted	(\$2.212)
	Reduced network security costs from the elimination of two NIPRNet Federated Gateways (NFG)	(\$2.200)
	Pricing decrease in contract providing support for the DISN connection approval process	(\$1.249)
	Other network security efficiencies associated with consolidation and streamlining of contracts	(\$3.251)
	Reduction in IT equipment and support at DISA CONUS	(\$0.781)
	<i>Program Changes:</i>	
	Reduced costs for the fit out of a new DISA CONUS building at Scott AFB	(\$15.802)
	Reduction in non-DISN telecommunications contracting workload for the Federal Aviation	(\$2.148)
	Reduction in rental payments to GSA as new DISA CONUS building is completed	(\$0.219)
	Net increase in customer IT contracting workload based on historical trends and expected increases in demand for Enterprise Licensing Agreements	\$485.005
	Increased customer funded workload, primarily associated with Joint Regional Security Stacks (JRSS) requirements	\$59.581
	Increased customer workload for Satellite Services	\$19.637
	Increase in civilian pay primarily to support workload for IT contracting and Enterprise Licensing Agreements	\$2.388
	Increased workload for Mobility services	\$1.885
	Increase in DITCO operating costs primarily to support to Working Capital Fund accounting system	\$1.268
	Miscellaneous	(\$0.166)
FY 2016	Estimate	\$7,623.457

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$5,263.466	\$6,189.360	\$6,757.245
ARMY APPROPRIATED	\$1,764.563	\$2,050.090	\$2,171.108
Army O&M	\$1,438.662	\$1,479.424	\$1,560.415
Army RDT&E	\$71.405	\$96.487	\$98.246
Army Procurement	\$254.442	\$474.093	\$512.359
Army MILCON	\$0.054	\$0.086	\$0.088
Army BRAC	\$0.000	\$0.000	\$0.000
NAVY APPROPRIATED	\$634.051	\$571.026	\$569.321
Navy O&M	\$618.956	\$548.909	\$546.748
Navy RDT&E	\$5.877	\$6.604	\$6.738
Navy Procurement	\$8.425	\$14.792	\$15.100
Navy MILCON	\$0.793	\$0.721	\$0.735
Navy BRAC	\$0.000	\$0.000	\$0.000
MARINE CORPS APPROPRIATED	\$53.197	\$111.283	\$109.882
Marine Corps O&M	\$52.412	\$109.616	\$108.181
Marine Corps RDT&E	\$0.000	\$0.000	\$0.000
Marine Corps Procurement	\$0.785	\$1.667	\$1.701
Marine Corps MILCON	\$0.000	\$0.000	\$0.000
Marine Corps BRAC	\$0.000	\$0.000	\$0.000
AIR FORCE APPROPRIATED	\$1,174.249	\$1,239.192	\$1,281.381
AF O&M	\$1,174.249	\$1,235.700	\$1,277.849
AF RDT&E	\$0.000	\$0.000	\$0.000
AF Procurement	\$0.000	\$0.700	\$0.700
AF MILCON	\$0.000	\$0.000	\$0.000
AF BRAC	\$0.000	\$2.792	\$2.832
DISA APPROPRIATED	\$1,186.499	\$1,732.475	\$2,084.065
DISA O&M	\$929.542	\$1,329.832	\$1,673.053
DISA RDT&E	\$158.615	\$185.346	\$189.209
DISA Procurement	\$98.342	\$217.297	\$221.803
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DEFENSE WIDE APPROPRIATED	\$338.005	\$354.094	\$365.643
Defense Wide Appropriated O&M	\$301.895	\$307.860	\$318.533
Defense Wide Appropriated RDT&E	\$27.035	\$38.150	\$38.876
Defense Wide Appropriated Procurement	\$9.070	\$8.079	\$8.229
Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
Defense Wide Appropriated BRAC	\$0.005	\$0.005	\$0.005
OTHER DoD APPROPRIATED	\$112.902	\$131.200	\$175.845

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
Other DoD Appropriated O&M	\$112.432	\$130.376	\$175.020
Other DoD Appropriated RDT&E	\$0.000	\$0.000	\$0.000
Other DoD Appropriated Procurement	\$0.470	\$0.824	\$0.825
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	\$777.500	\$838.324	\$854.499
ARMY - WCF	\$0.249	\$0.072	\$0.073
Army Industrial Operations	\$0.249	\$0.072	\$0.073
NAVY - WCF	\$38.644	\$47.919	\$48.860
Navy Depot Maintenance	\$0.000	\$0.000	\$0.000
Navy Base Support	\$0.698	\$1.440	\$1.470
Navy Supply Management	\$1.106	\$1.549	\$1.581
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance	\$0.000	\$0.000	\$0.000
Other Navy Activity Groups	\$36.840	\$44.930	\$45.809
AIR FORCE - WCF	\$27.369	\$38.948	\$39.681
Consolidated Sustainment Activity Group (CSAG)	\$1.576	\$1.702	\$1.738
U.S. Transportation Command (TRANSCOM)	\$25.793	\$37.246	\$37.943
DEFENSE WIDE WCF	\$690.206	\$731.993	\$746.184
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	\$0.005	\$0.000	\$0.000
DISA Computing Services (CSD)	\$650.826	\$681.038	\$695.216
Defense Finance and Accounting Service (DFAS)	\$4.661	\$4.516	\$4.464
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$6.438	\$6.416	\$6.550
DLA Supply Chain Management	\$28.276	\$40.023	\$39.954
DEFENSE COMMISSARY AGENCY (DECA)	\$20.847	\$19.016	\$19.318
DECA Operations	\$20.847	\$18.467	\$18.760
DECA Resale	\$0.000	\$0.549	\$0.558
OTHER - WORKING CAPITAL	\$0.000	\$0.000	\$0.000
OTHER REVOLVING FUNDS	\$0.185	\$0.376	\$0.383
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	\$0.185	\$0.376	\$0.383
PRMRF/BMF	\$0.000	\$0.000	\$0.000
c. TOTAL DoD ORDERS	\$6,040.966	\$7,027.684	\$7,611.744
d. OTHER ORDERS	\$123.097	\$118.328	\$116.294

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
OTHER FEDERAL AGENCIES	\$94.423	\$91.062	\$88.462
TRUST FUNDS	\$23.720	\$26.368	\$26.917
NON-FEDERAL ORDERS	\$0.104	\$0.005	\$0.006
FOREIGN MILITARY SALES	\$4.850	\$0.893	\$0.909
TOTAL NEW ORDERS	\$6,164.063	\$7,146.012	\$7,728.038
2. Carry In Orders	\$0.000	\$0.000	\$0.000
3. TOTAL GROSS ORDERS	\$6,164.063	\$7,146.012	\$7,728.038

Revenue and Expenses
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	2014	2015	2016
Revenue			
Gross Sales	\$6,164.063	\$7,146.012	\$7,728.038
Operations	\$6,151.242	\$7,130.720	\$7,712.215
Capital Surcharge	\$0.000	\$0.000	\$0.000
Depreciation	\$12.821	\$15.292	\$15.823
Other Income	\$0.000	\$0.000	\$0.000
Refunds/Discounts (-)	\$0.000	\$0.000	\$0.000
Total Income:	\$6,164.063	\$7,146.012	\$7,728.038
Costs			
Cost of Material Sold from Inventory	\$0.000	\$0.000	\$0.000
Salaries and Wages:	\$188.738	\$199.694	\$203.192
Military Personnel Compensation & Benefits	\$6.633	\$5.604	\$4.765
Civilian Personnel Compensation & Benefits	\$182.105	\$194.090	\$198.427
Travel & Transportation of Personnel	\$2.908	\$4.925	\$4.959
Materials & Supplies (For internal Operations)	\$9.318	\$28.585	\$30.382
Equipment	\$0.000	\$0.000	\$0.000
Other Purchases from Revolving Funds	\$80.349	\$164.813	\$171.921
Transportation of Things	\$0.922	\$0.676	\$0.734
Depreciation - Capital	\$12.821	\$15.292	\$15.823
Printing and Reproduction	\$0.431	\$0.281	\$0.307
Advisory and Assistance Services	\$2.271	\$3.670	\$3.742
Rent, Comm, Utilities, & Misc. Charges	\$1,698.219	\$1,629.619	\$1,643.474
Other Purchased Services	\$4,048.043	\$5,037.291	\$5,548.923
Total Costs	\$6,044.020	\$7,084.846	\$7,623.457
Operating Results	\$120.043	\$61.166	\$104.581
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	(\$62.005)
Net Operating Results	\$120.043	\$61.166	\$42.576
Prior Year AOR	\$140.000	\$265.299	\$97.392
Other Changes Affecting AOR	\$5.256	\$0.000	\$0.000
Total AOR	\$265.299	\$326.465	\$139.968
Retained AOR	\$0.000	\$229.073	\$110.190
Cumulative Retained AOR	\$0.000	\$229.073	\$339.263
AOR for Budget Purposes	\$265.299	\$97.392	\$29.778

**DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2016 BUDGET ESTIMATES
FEBRUARY 2015
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 2,400 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 33.3 million customer orders annually from the military services, other federal agencies, non-federal agencies and foreign military for the 5.7 million consumable items managed by DLA.

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 13.3 million secondary lines and warehouses and maintains an estimated 118.2 million cubic feet of materiel in FY 2014.

DLA Disposition Services is responsible for the reuse, or reutilization, of excess and surplus personal property within the DoD. In FY 2014, over \$3.2 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)	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Revenue	21,385.1	20,991.8	21,186.5
Expenses	21,590.4	21,907.6	21,943.2
Operating Result	(205.2)	(915.9)	(756.7)
Direct Transfers	46.5	44.3	45.1
Cash Surcharge	(113.7)	(41.5)	13.6
Inventory	(229.5)	(2.7)	(4.2)
Capital Surcharge	74.9	25.4	19.5
OCO Appropriation	46.7	39.3	39.3
Net Operating Results	(648.5)	(851.0)	(643.4)
Prior Year AOR	1,504.8	856.2	(93.5)
Other Changes Affecting AOR	0	(98.7)	(55.8)
Ending AOR	856.2	(93.5)	(792.6)

Energy Management

The Defense Logistics Agency Energy (DLA Energy) provides comprehensive worldwide energy support for the military services and other authorized customers. DLA Energy serves as the Department's Executive Agent for the bulk petroleum supply chain. Energy business includes sales of petroleum and aerospace fuels; 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 military services regarding procurement of electricity and privatization of their utility systems.

Energy Management Statement of Revenue and Expenses

(\$ in Millions)	FY 2014	FY 2015	FY 2016
Revenue	15,988.6	14,862.6	13,710.1
Expenses	16,899.3	14,973.5	13,643.2
Operating Results	(910.7)	(110.9)	66.9
Transfers	(262.5)	47.0	47.0
Capital Surcharge	(39.6)	(18.7)	(2.0)
Net Operating Results	(1,212.8)	(82.7)	111.8
Prior Year Accumulated Operating Results	875.6	(337.2)	(419.9)
Other Changes Affecting AOR	(302.1)	0	308.1
Ending Accumulated Operating Results	(337.2)	(419.9)	0

Document Services

DLA Document Service 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. 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, 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.

DLA Document Services manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 144 production facilities.

Document Services Statement of Revenue and Expenses

(\$ in Millions)	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Revenue	264.1	333.5	362.3
Cost of Goods Sold	272.9	319.8	359.5
Cash Surcharge			
Capital Surcharge			
Inventory Surcharge			
Other Changes Affecting NOR			
Net Operating Results	(8.8)	13.7	2.8
Prior Year Accumulated Operating Results	(15.6)	(16.5)	(2.8)
Non-Recoverable Adjustment Impacting NOR	7.9		
Ending Accumulated Operating Result	(16.5)	(2.8)	0
Workload			
In-House Production (Units)	797.3	734.8	710.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund (DWWCF)
Supply Chain Management Activity Group
FISCAL YEAR (FY) 2016 Budget Estimates
February 2015

FUNCTIONAL DESCRIPTION

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

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

- The DLA Materiel Supply Chains filled nearly 33.3 million customer orders from the Military Services, other Federal Agencies, non-federal Agencies and Foreign Militaries for the 5.7 million consumable items managed by DLA. A brief description of each supply chain is listed below:
 - The **DLA Aviation** is the primary source for nearly 1.3 million repair parts and operating supply items for Aviation weapon systems.
 - The **DLA Land** is the primary source for over 406 thousand repair parts and operating supply items for land-based weapon systems.
 - The **DLA Maritime** is the primary source for 1.5 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 Military Services and other Federal Agencies, in peace and in war. This includes end items and components, fire resistant items, body armor, and testing and evaluation. The C&T Supply Chain is the primary source for 54.5 thousand items and in FY 2014 sales were \$1.8 billion.
 - The **DLA Troop Support Medical** is the primary source for 1.1 million medical items for our Military Service Members [active & retired] and their dependents. Medical support to dependents is funded by the Office of Secretary of Defense (OSD) Tricare Program.

- Medical provides materiel/services in peace and in war to the field, institutional & Tricare customers. Items include pharmaceuticals, medical/surgical supplies, instruments and services, equipment, and other health care items. In FY 2014, Medical sales were \$5.6 billion.
- The **DLA Troop Support Subsistence** is the primary source for over 121 thousand Subsistence items including fresh fruits and vegetables (frozen, chilled and dry), food fielding and food service equipment, and operational ration items most notably the "Meals Ready-to-Eat". Subsistence FY 2014 sales were \$2.8 billion.
 - The **DLA Troop Support Construction and Equipment (C&E)** gives our Armed Forces and other Federal Agencies a source for 272 thousand National Stock Numbers (NSNs) and other essential products and associated services. 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. In FY 2014 C&E sales were \$2.3 billion.
 - The **DLA Troop Support Industrial Hardware (IH)** gives our Armed Forces and other Federal Agencies a source for 916 thousand National Stock Numbers (NSNs) for various consumable hardware items such as nuts, bolts, screws, nails, studs, locks, gaskets, washers, pins, locks, O-rings, and provides retail replenishment services at major overhaul activities. We support our customers through Prime Vendor/Tailored Logistics Support programs that include Industrial Prime Vendor (IPV), Long-Term Contracts, and Corporate Contracts. FY 2014 sales were \$600 million for IH.
 - **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 consists of 25 depots strategically located throughout the world. In FY 2014, 13.3 million secondary lines were received and issued, as well as, 118.2 million cubic feet were warehoused and maintained.
 - **DLA Disposition Services** is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2014, \$3.2 billion worth of personal property was reutilized, transferred, or donated, minimizing the need for DoD to reinvest these items. If property is

not reutilized, it is made available for transfer to other Federal Agencies. Remaining property becomes surplus and is made available for donations to authorized State Agencies and charitable organizations. Property that cannot be reutilized, may be offered for competitive sale to the public, recycled, or disposed. DLA Disposition Services also performs other vital DoD missions; such as scrap metal recovery, demilitarization (DEMIL), and hazardous waste disposal.

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

- The **DLA Logistics Information Service** supports all logistics functions for DoD, other Federal and Civil Agencies, and international allied partners by managing and distributing logistics data on over 6.5 million 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.

BUDGET HIGHLIGHTS

ACTIVITY GROUP BUSINESS CHANGES

The Joint Contingency Acquisition Support Office (JCASO) funding is transitioning from being direct funded by the DLA Operations and Maintenance appropriation to being a direct reimbursable function managed by the Defense Working Capital Fund (DWCF). The mission of the JCASO is to orchestrate, synchronize and integrate program management of contingency acquisition across geographic combatant commands by providing Operational Contract Support to the Combatant Commands to better plan for oversight and management of contractors authorized to accompany the force during contingency operations. This mission is more appropriately managed by the DWCF as contracting is a core DLA DWCF function and the DWCF provides the flexibility to support

future contingency operations contracting requirements that will fluctuate and flow depending on worldwide U.S. National Security interests.

DLA continues to fully establish retail integration (formerly known as Base Closure and Realignment Commission (BRAC) initiatives), completing Consumable Item Transfers (CIT), establishing all Depot Level Reparable (DLR) procurement and Supply, Storage, and Distribution (SS&D) sites. DLA assumed responsibility for procurement of DLR items from the Military Services as well as managing the SS&D functions at the Services' industrial sites. In FY 2014, DLA continued re-organizing the S&D piece of the SS&D sites, aligning the functions within DLA Distribution. DLA worked with the Services to finalize all BRAC related CIT transfers. The effort is in the final stages of the complicated reimbursement process.

CIT - DLA is continuing to reimburse the Military Services for open undelivered orders upon re-assignment of each item based on a joint validation process with each Military Service. We estimate the reimbursement to total roughly \$828 million over the period FY 2011 through FY 2018. DLA reimbursed the Military Services a total of \$616 million (\$235 million to the Air Force, \$227 million to the Navy, and \$154 million to the Army) prior to FY 2014. In FY 2014, we paid \$20 million to the Army and \$84 million to the Navy. In FY 2015 and FY 2016, we are projecting \$98 million and \$7 million (respectively) to be reimbursed to the Navy, beyond FY 2016 we are projecting \$3 million to be reimbursed to the Navy.

DLR - The DLR initiative, is a rate-based reimbursement method that represents a multiple year effort from a joint service Integrated Product Team. In FY 2014, The United States Marine Corps site at Albany, Georgia joined the DLR process. DLA developed a billable hourly rate-based reimbursement for each Service to recover the labor and non-labor costs of DLR procurement actions. The approved PB16 rates are below.

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Army	\$62.78	\$62.88	\$63.18
Navy	\$58.42	\$63.43	\$59.84
Air Force	\$63.11	\$63.72	\$63.80
Marine Corps	\$55.51	\$56.14	\$56.24

SS&D - DLA implemented the Local Recovery Rate (LRR) at the Air Force (AF) SS&D sites in FY 2011 and DLA

and the Navy are evaluating using a similar methodology to convert Navy SS&D sites to an LRR. Further negotiations are needed with the Navy. Projected Operating Costs, Gross Sales at Standard for the AF SS&D sites, and LRR for FY 2014, FY 2015, and FY 2016 are as follows:

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Operating Costs	\$65.48	\$66.40	\$68.57
Gross Sales at Standard	\$987.9	\$1,021.5	\$1,056.3
Composite Local Recovery Rate	6.6%	6.5%	6.5%

WORKLOAD

DLA Materiel Supply Chains: Gross Sales at Standard Unit Price is the primary workload measure. Sales are affected by customer demands (force structure, operating tempo, and maintenance schedules). DLA has continued to refine the process that was developed by the Enterprise Operations Planning Council (EOPC). EOPC strives to ensure that all customer demand and supply chain impacts are recognized and understood. Consistent with this process, we meet regularly with our customers to obtain their planning assumptions and use this information and our own experience to develop projected demand over the period. The EOPC process considers not only the impact of Overseas Contingency Operations (OCO) changes on demand and sales; but, also the impact of Army retrograde and reset, CIT, and projected peacetime sales changes.

In comparison to the FY 2015 President's Budget, workload decreases are due to lower anticipated sales.

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Gross Sales at Standard Unit Price	\$19,883.4	\$19,780.7	\$19,059.7

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

Receipts and Issues:

(Lines in Millions)	FY 2014	FY 2015	FY 2016
Lines Received and Shipped	13.3	12.8	12.5

Workload projections for FY 2015 and FY 2016 are based on the regression analysis of prior year actuals, DLA direct sales, the services and processing workload applied to future sales

estimates. Workload steadily continues to decline in line with declining sales projections.

STORAGE

(Cubic Feet in Millions)	FY 2014	FY 2015	FY 2016
Covered Storage Space	47.5	47.3	47.3
Open Storage Space	68.7	69.6	69.4
Specialized Storage Space	2.0	1.6	1.5

Storage workload projections are based on the previous twelve months of actual data. The reduction in covered storage is primarily due to the closure of DLA Distribution Afghanistan in FY 2014. The projection for open storage remains steady for tactical storage expected as withdrawal efforts in Afghanistan continue.

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

	FY 2014	FY 2015	FY 2016
Line Items in Millions	3.2	3.1	3.0
Acquisition Value (Dollars in Billions)	\$32.0	\$23.5	\$22.5

Workload line items and acquisition value will decrease through FY 2016 due to the force drawdown in Afghanistan. DLA Disposition Services anticipates a reduction in the value of the property to be received in Afghanistan in FY 2015 to FY 2016.

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 Chains. POF incorporates four components:
 1. Timeliness: Did the customer receive the order on time?
 2. Quantity: Did the amount shipped match the amount requested?
 3. Quality: Were there any customer complaints regarding the quality of the product?
 4. Documentation: Were there any customer complaints regarding the documentation received with the product?

	FY 2014	FY 2015	FY 2016
Goal	87.0%	87.0%	87.0%
Actual	87.3%	N/A	N/A

A perfect order is one where all four components are met. The cumulative DLA FY 2014 goal is set at 87%. DLA's actual cumulative performance as of 30 September 2014 was 87.3%. The goal for both FY 2015 and FY 2016 is 87%.

As POF is a comprehensive metric that crosses DLA, United States Transportation Command (USTRANSCOM), and Combatant Commands (COCOMs), the following contributing metrics are used to focus on DLA's contribution towards POF:

- o 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.
 - o Logistics Response Time (LRT) - measures the time it takes to complete a customer's order-from creation to satisfaction (customer receipt) of that order. DLA measures and tracks the average LRT for its customers by number of days.
 - o Demand Plan Accuracy (DPA) - measures the degree of accuracy of a demand forecast compared to the actual demand.
 - o Attainment to Plan (ATP) - identifies the percentage of material deliveries generated through the supply planning process that meet three criteria: quantity, quality, and timeliness.
- **High Priority Material Release Orders (Hi Pri MROs)** - the standard for shipment of high priority MROs is one calendar day. DLA Distribution's focus is on achieving the one day standard 85% of the time. For FY 2014, DLA Distribution shipped 82.3% of high priority MROs to the one day standard. The goal for both FY 2015 and FY 2016 remains 85%. The high priority MRO metric excludes MRO transactions that do not conform to a one day standard, such as:
 - o Dedicated truck shipments - these shipments are based on schedules agreed to with the customer
 - o Foreign Military Sales (FMS) shipments
 - o Non-consumable Item Material Support Code (NIMSC) End Item shipments (NIMSC = 3)

- **Routine Material Release Orders (Routine MROs)** - the standard for shipment of routine priority MROs is three calendar days. DLA Distribution's focus is on achieving the three day standard 85% of the time. For FY 2014, DLA Distribution shipped 83.5% of routine MROs to the three day standard. The goal for both FY 2015 and FY 2016 remains 85%. The routine MRO metric excludes MRO transactions that do not conform to a three day standard, such as:
 - o Dedicated truck shipments - these shipments are based on schedules agreed to with the customer
 - o Foreign Military Sales (FMS) shipments
 - o Non-consumable Item Material Support Code (NIMSC) End Item shipments (NIMSC = 3)

UNIT COST AND PRICING

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

Unit cost goals and pricing are as follows for the three business segments:

DLA Materiel Supply Chains:

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

Unit Cost	FY 2014	FY 2015	FY 2016
Costs (Dollars in Millions)	\$20,527.1	\$18,970.0	\$19,160.7
Gross Sales (Dollars in Millions)	\$19,670.9	\$19,221.3	\$19,286.6
Unit Cost Goal (per Dollar of Sales)	\$1.04	\$0.99	\$0.99

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 Materiel 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 CFC/OP-32 Change and CRR's for FY 2014 and FY 2015, and those proposed for FY 2016, along with the DoD inflators:

Pricing	FY 2014	FY 2015	FY 2016
CFC/OP-32 Customer Funding Change	0.1%	(1.1%)	(0.1%)
DoD Inflator	1.5%	1.7%	2.0%
Cost Recovery Rate	13.2%	13.1%	13.2%

The table below displays the rate changes by DLA Supply Chains for FY 2016.

Rate Change by DLA Supply Chains	FY 2014	FY 2015	FY 2016
DLA Weapon Systems	0.8%	(2.4%)	(0.4%)
DLA Troop Support Clothing and Textiles	(1.2%)	(0.6%)	(0.2%)
DLA Troop Support Medical	0.2%	(0.4%)	0.6%
DLA Troop Support Subsistence	(0.1%)	(1.7%)	(0.3%)
DLA Troop Support Construction and Equipment with DLA Industrial Hardware*	(0.2%)	0.7%	N/A
DLA Troop Support Construction and Equipment	N/A	N/A	(0.4%)
DLA Troop Support Industrial Hardware	N/A	N/A	(0.7%)
Total	0.1%	(1.1%)	(0.1%)

*In FY 2015, DLA Industrial Hardware Supply Chain established a unique pricing group. Therefore, no change from FY 2014 to FY 2015 would be relevant.

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

Unit Cost	FY 2014	FY 2015	FY 2016
Processing Workload (Lines in Millions)	13.3	12.8	12.5
Processing Cost (Dollars in Millions)	\$347.0	\$466.8	\$458.6
Unit Cost Goal	\$26.04	\$36.36	\$36.71

In FY 2016, decreases in cost are in line with workload reductions.

Detailed Net Landed Cost Rates are provided below:

Net Landed Cost Rates							
		2014	2015	2016			
Receipt							
Base amount		31.03	31.49	31.51	per line		
Plus							
1-40 lbs.		1.13	1.12	1.14	per line		
41-150 lbs.		13.19	13.12	13.38	per line		
151-2000 lbs.		30.07	29.91	30.51	per line		
2000+ lbs.		0.0153	0.0152	0.0155	per lb. + 151-2000 rate		
Return		5.52	5.49	5.60	per line additional		
Hazardous		18.52	18.42	18.79	per line additional		
Hard-to-Handle		18.52	18.42	18.79	per line additional		
Issue							
Onbase base amount		14.01	14.22	14.23	per line		
Plus							
1-40 lbs.		1.13	1.12	1.14	per line		
41-150 lbs.		13.19	13.12	13.38	per line		
151-2000 lbs.		30.07	29.91	30.51	per line		
2000+ lbs.		0.0153	0.0152	0.0155	per lb. + 151-2000 rate		
Offbase base amount		20.27	20.57	20.58	per line		
1-40 lbs.		2.20	2.19	2.23	per line		
41-150 lbs.		30.41	30.25	30.86	per line		
151-2000 lbs.		60.21	60.21	61.10	per line		
2000+ lbs.		0.0224	0.0223	0.0227	per lb. + 151-2000 rate		
Local Delivery		1.90	1.89	1.93	per line additional		
Hazardous		18.52	18.42	18.79	per line additional		
Hard-to-Handle		18.52	18.42	18.79	per line additional		
Controlled Item		8.75	8.7	8.88	per line additional		
FMS		8.98	8.93	9.11	per line additional		
Out-of-Cycle		25.28	25.14	25.65	per line additional		
Issue from Receiving							
Base amount		\$ 1.78	\$ 1.81	\$ 1.81	per line		
Plus							
1-40 lbs.		1.13	1.12	1.14	per line		
41-150 lbs.		13.19	13.12	13.38	per line		
151-2000 lbs.		30.07	29.91	30.51	per line		
2000+ lbs.		0.0153	0.0152	0.0155	per lb. + 151-2000 rate		
Transshipments							
Offbase base amount		\$ 26.68	\$ 27.08	\$ 27.10	per line		
Plus							
1-40 lbs.		\$ 2.20	\$ 2.19	\$ 2.23	per line		
41-150 lbs.		\$ 30.41	\$ 30.25	\$ 30.86	per line		
151-2000 lbs.		\$ 60.21	\$ 59.89	\$ 61.10	per line		
2000+ lbs.		\$ 0.0224	\$ 0.0223	\$ 0.0227	per lb. + 151-2000 rate		
Mark For		\$ 7.12	\$ 7.23	\$ 7.23	per line		
Onbase amount		\$ 13.60	\$ 13.80	\$ 13.81	per line		
Material Processing Center							
		\$ 9.41	\$ 9.37	\$ 9.37	per line		
Estimated Transportation							
		\$ 170,646,613	\$ 155,978,990	\$ 130,100,000			
Total Processing Cost							
		\$ 695,838,188	\$ 614,967,649	\$ 520,007,421			
Composite Rate							
(without Transportation)		\$ 30.76	\$ 30.60	\$ 31.21			
Workload (Millions of Lines)		17.1 lines	15.0 lines	12.5 lines			
Reimbursable Rates:							
DLA Facility		\$ 105.06	\$ 104.87	\$ 106.97			
Non-DLA Facility		\$ 84.05	\$ 83.90	\$ 85.57			
Storage Rates							
Covered Storage		\$ 4.88	\$ 5.49	\$ 5.60			
Open		\$ 0.53	\$ 0.52	\$ 0.53			
Specialized		\$ 7.61	\$ 7.60	\$ 7.75			

Covered Storage:

Unit Cost	FY 2014	FY 2015	FY 2016
Cubic Feet Millions	47.5	47.3	47.3
Storage Costs(Dollars in Millions)	\$305.3	\$286.0	\$284.9
Unit Cost Goal	\$6.42	\$6.04	\$6.03

The DLA Distribution covered storage unit cost is calculated by dividing storage costs by cubic feet. The unit cost is not the covered storage rate that is charged to the customer. The rate includes AOR adjustments. The actual covered storage rate is shown on the Detailed Net Landed Rates table above. Storage cost decreased in FY 2015 in line with workload reductions.

DLA Disposition Services:

Unit Cost	FY 2014	FY 2015	FY 2016
Cost per Line Goal	\$66.63	\$68.83	\$68.88
Cost per Pound Goal	\$0.26	\$0.09	\$0.09

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

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

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

The unit cost per line remains steady in FY 2016 as the projected workload declines due to the scheduled drawdown of Afghanistan.

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. The decrease in FY 2016 is attributable to positive AOR and an increase in projected sales revenue. Customer SLBs using this model are projected below:

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Army	\$71.190	\$90.002	\$66.700
Navy	\$39.084	\$41.251	\$32.449
Air Force	\$21.319	\$22.500	\$19.830
DLA	\$46.450	\$44.293	\$45.084
Total	\$178.043	\$198.046	\$180.270

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:

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Army	\$40.935	\$27.067	\$34.965
Navy	\$49.714	\$36.957	\$43.241
Air Force	\$41.922	\$29.626	\$34.436
DLA	\$33.406	\$61.366	\$42.346
Total	\$165.977	\$155.016	\$154.988

Decreases from FY 2014 to FY 2015 were attributed to DLA's Big Ideas Savings (\$8.1 million), movement of Asset Visibility to Transportation Command (\$20 million), Federal Logistics Information Service (FLIS) modernization and reduced Fedlog reproduction costs (\$3 million), reduction in travel and supply by over 35% (\$1.3 million), and increased efficiencies in many of our products and services.

Due to the DLA J6 Realignment that occurred in FY 2014, total DLA Logistics Information Services' requirements decreased from \$206 million in FY 2015 to \$173.4 million in FY 2016. In addition, reimbursements from other sources also decreased from \$51 million in FY 2015 to \$18.6 million in FY 2016, both as a result of several missions no longer assigned to DLA Logistics Information Services moving to other Enterprise Service Areas in J6. Although the Service Level Bill remains stable, there are significant fluctuations in the DLA and Services portion for a number of reasons:

- With the J6 Realignment, The DLA Service Level Bill decreased by \$24 million due to the removal of three programs which are

exclusively used within DLA operations. These programs include the Enterprise Help Desk, eWorkplace, and the Task Management Tracker.

- One of the business units within the Service Level Bill (SLB), Information Dissemination, is billed according to usage of the products or services within that unit. Usage is normally fairly steady, but in FY 2013 Army usage or percentage did increase slightly. The FY 2016 SLB is based on FY 2013 usage, the most current data we have when the bill is calculated. Also within the Information Dissemination business unit, the FY 2015 Service Level Bill erroneously applied a large reimbursement for Enterprise Help Desk, which is 100% funded by DLA, to the Services. This lowered their FY 2015 allocations on average \$2.9 million each than had that error not occurred. This makes the FY 2016 Service Level Bill seem like a significant increase, but had the error not occurred the increase would not be so sizable.

- The cost of the Information Management business unit, which is comprised mainly of FLIS, increased in FY 2016. Costs in that business unit are shared equally by DLA and the Services in the SLB. Another impact of the J6 realignment is that there are fewer programs in the SLB to absorb the typical indirect costs and FLIS, being the largest core mission in the Service Level Bill, absorbed a greater share. Again, that was shared equally between DLA and the Services.

DLA Logistics Information Services continues to realize Big Ideas Savings and seek efficiencies in our operations. In addition, we also seek alternative sources of revenue, outside the SLB, for the products and services we provide to our customers.

DLA Transaction Services - the cost of DLA Transaction Services core services is divided equally among Military Services and DLA except in FY 2014 where the SLB includes the costs for the Integrated Data Environment (IDE) support provided to USTRANSCOM (USTC). The USTC portion of the IDE bill is built into the DLA Transaction Services SLB in lieu of billing USTC, who would then in turn provide and SLB cost to the Military Services and DLA for the support provided by USTC for IDE data. Projections are in the table below:

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Army	\$18.073	\$16.418	\$16.187
Navy	\$15.544	\$16.418	\$16.187
Air Force	\$16.599	\$16.418	\$16.187
DLA	\$14.499	\$16.418	\$16.187
Total	\$64.715	\$65.672	\$64.748

Changes from FY 2014 to FY 2015 are due to cost savings identified for Integrated Data Environment (IDE) sustainment support, therefore removing the USTC portion of the IDE bill. Additionally, the realignment of the IDE support which beginning

in FY 2015 will be part of the DLA Transaction Services core mission support, allows for the equal division of the core services costs for the Military Services and DLA. Above mentioned adjustments along with increases which are driven by non-labor inflation costs accounted for the changes to the SLB in FY 2015. Changes from FY 2015 to FY 2016 are due to additional cost savings that can be directly tied to the realignment of IDE into the DLA Transaction Services core mission support, therefore providing additional efficiencies that can be passed to the SLB-payer.

ANALYSIS OF BUDGET STATEMENTS

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

Revenue and expenses are projected to be lower than stated in President's Budget FY 2015 primarily due to decreased sales and lower costs. Workload is forecasted to decrease each year from the FY 2015 baseline level. The AOR is projected to be at zero in FY 2017.

DLA 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 2014	FY 2015	FY 2016
Revenue	\$21,385.1	\$20,991.8	\$21,186.5
Expenses	\$21,590.4	\$21,907.6	\$21,943.2
Operating Results	(\$205.2)	(\$915.9)	(\$756.7)
Operating Results Adjustments			
Capital Surcharge	\$74.9	\$25.4	\$19.5
Direct Transfers	\$46.5	\$44.3	\$45.1
Cash Surcharge	(\$113.7)	(\$41.5)	\$13.6
Inventory	(\$229.5)	(\$2.7)	(\$4.2)
OCO Appropriation	\$46.7	\$39.3	\$39.3
Net Operating Results	(\$648.5)	(\$851.0)	(\$643.4)
Prior Year AOR	\$1,504.8	\$856.2	(\$93.5)
Other Changes Affecting AOR	-	(\$98.7)	(\$55.8)
Accumulated Operating Results	\$856.2	(\$93.5)	(\$792.6)

CASH PROJECTIONS

The FY 2014 cash loss of \$1,126.1 million was due to net outlays from lower sales based on forecasted lower customer demand, payments for Audit Readiness contracts, lowering the cost recovery rate, the return of AOR to customers, and disbursing for Logistics Reassignment of Items (Navy: F/A-18 and CIT). DLA

SCM received \$93.1 million in appropriated funding and transferred out \$307.8 million (\$287.8 million was transferred to the DWWCF Component Level Adjustments account to close this account and \$20.0 million was transferred to the Army WCF for CIT).

The FY 2015 projected cash loss of \$857.3 million is due to net outlays from lower sales based on forecasted lower customer demand, payments for Audit Readiness contracts, disbursing for Logistics Reassignment of Items (Navy: F/A-18 and CIT), and disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year. DLA SCM received \$83.6 million in appropriated funding.

The FY 2016 projected cash loss of \$480.2 million is due to net outlays from lower sales based on forecasted lower customer demand, payments for Audit Readiness contracts, and disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year. This submission includes a request for \$84.4 million in appropriated funding.

DLA Supply Chain Management Summary

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Disbursements	22,170.1	22,646.3	21,597.6
Collections	21,258.7	21,705.4	21,033.0
Net Outlays	911.4	940.9	564.6
Direct Appropriation	46.4	44.3	45.1
OCO Appropriation	46.7	39.3	39.3
Transfers	(307.8)	-	-
Cash Gain (-)/Loss (+)	1,126.1	857.3	480.2

PERSONNEL PROFILE

Continuing augmentation to the workforce include: being the single procurement management provider for new DLRs; performing consumer level (retail) SS&D directly for industrial depot maintenance production line customers; assumption of new distribution functions from the Navy; and workload changes. DLA is utilizing workload and workforce re-distribution as well as term employees whenever practical to better respond to workload fluctuations. This budget includes labor and non-labor reductions in accordance with Secretary of Defense Efficiency Initiatives.

Manpower	FY 2014	FY 2015	FY 2016
Civilian End Strength	23,641	23,860	23,670
Civilian FTEs	23,392	23,718	23,518
Military End Strength/FTEs*	555	540	534

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

CAPITAL BUDGET

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Equipment (non-ADP)	21.9	21.5	28.3
Equipment (ADP)	29.9	31.0	32.0
Software	18.6	37.9	37.8
Minor Construction	10.3	14.2	14.2
Total	80.7	104.6	112.3

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

Overall, the FY 2015 and FY 2016 capital budget estimates increased by \$7.7 million.

The non-ADPE category increased in FY 2016 due primarily to security and safety equipment at DLA Aviation.

Investment in the ADPE category increased in FY 2016 due primarily to DLA infrastructure being completed.

DLA will continue to expand the already deployed Enterprise Resource Planning platform called Enterprise Business System through enhanced capabilities for the critical system change requests and other enhancement initiatives. The software category in FY 2016 remains steady with little change.

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

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

Appropriations for FY 2014 through FY 2016 included in this submission are detailed in the following table and narrative.

DLA SCM Appropriations: (Dollars in Millions)	FY 2014 Enacted	FY 2015 Request	FY 2016 Request
Reutilization, Transfer and Disposal Costs	\$46.4	\$44.3	\$45.1
Overseas Contingency Operations(OCO) Appropriations:			
Theater Distribution - Afghanistan	\$7.7	-	-
DLA Disposition Services	\$35.5	\$35.5	\$35.5
IT Communications	\$1.9	\$3.2	\$3.2
IT Contractor Support	\$.5	\$.5	\$.5
Corporate Support	\$1.1	\$.1	\$.1
Total DLA SCM	\$93.1	\$83.6	\$84.4

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

OVERSEAS CONTINGENCY OPERATIONS (OCO) FY 2015 TRANSFERS REQUEST

OCO request provided in FY 2014 through FY 2016 is in support of Operation Freedom's Sentinel (OFS) is included in this budget submission are detailed in the following charts and narrative:

(Dollars in Millions)		FY 2014 Enacted	FY 2015 Request	FY 2016 Request	
C.	Subactivity Group - Operations - DLA Distribution Afghanistan				
	5.8 Theater Distribution	OFS	\$7.700	-	-
		Total	\$7.700	-	-

Narrative Justification: DLA Distribution Afghanistan closed in FY 2014.

(Dollars in Millions)		FY 2014 Enacted	FY 2015 Request	FY 2016 Request	
D.	Subactivity Group - Operations - DLA Disposition Services				
	5.10 DLA Disposition Ops	OFS	\$35.500	\$35.500	\$35.500
		Total	\$35.500	\$35.500	\$35.500

Narrative Justification: 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 OFS. 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, Bahrain and Afghanistan. In addition support Hub Based DEMIL Operations (HBDO) sites have been established to support the warfighter at forward operating locations.

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

The \$35.500 million request funds the following (dollars in millions):

Continuing Government Labor/Travel:	\$17.254
Contractor (TCN Labor):	\$8.568
Equipment/Maintenance:	\$4.244
Supplies/Transportation:	\$1.533
Facilities/Rent/Communications:	\$3.901

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 2016 that cannot be recouped until the increased SLB becomes effective.

(Dollars in Millions)		FY 2014 Enacted	FY 2015 Request	FY 2016 Request
F.	Subactivity Group - Operations - IT Communications			
	5.11 Other - DLA Supply Chain Management	\$1.875	\$3.216	\$3.216
	Total	\$1.875	\$3.216	\$3.216

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

Satellite Communication Systems: The FY 2015 request supported peripheral hardware and/or maintenance and recurring costs of systems which includes expanded operations in Afghanistan, Central Asia and potentially Africa. FY 2016 costs include recurring service fees and support labor.

Afghanistan Communication Improvement/Expansion: DLA mission increased in FY 2014 due to the start of the U.S. drawdown in Afghanistan. This increase included six additional sites using SATCOM. Four sites for DLA Disposition Services and two additional site supporting DLA Troop Support were also added using Commercial SATCOM systems.

Enterprise Telecommunications Network (ETN): The Enterprise Telecommunications Network (ETN) and SIPRNet over ETN (SoETN) will directly support 10 sites that currently exist in Afghanistan in FY 2015. The FY 2015 and FY 2016 costs include labor support, sustainment, and lifecycle upgrades. Lifecycle replacements and maintenance support will be required for the sites and the Bahrain hub site that directly supports the Afghanistan site. Without lifecycle replacements and maintenance support, existing equipment will no longer be eligible for manufacturer advance replacement in the event of failure. On the SoETN, all SWA remote sites will be connected to the Kleber Kaserne and Bahrain hub sites. These sites require equipment refresh to add redundancy and prevent loss of network connectivity in the event of hardware failure. Also in support of SoETN are maintenance lines for McAfee network sensors, Oracle Sun servers, Dell, Infoblox, and Solarwinds.

Impact if not funded: This hardware and software maintenance will ensure continuity of SoETN DNS and Network Monitoring to support SWA sites. If not funded, critical communications support systems will not be available to support the mission.

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, telephone, WAN accelerators, and wide-area connectivity using DISA contracted Commercial SATCOM systems. Due to the austere locations where DLA entities are located, there are no DISA land-line network circuits available to establish a land-based network, necessitating the need for satellite-based systems. DLA mission increased in FY 2013 due to the start of the U.S. drawdown in Afghanistan. With this DLA mission increased. Six additional sites using SATCOM were established. Four sites for DLA Disposition Services and two additional sites supporting DLA Troop Support were also added using Commercial SATCOM systems.

In FY 2016, DLA Networks and Telecommunications is the sustainment office for DLA SATCOM systems and the use of DISA contracted Commercial SATCOM systems. DLA will still be

transitioning to DoD SATCOM from commercial SATCOM and will require support for peripheral hardware, maintenance and recurring costs of systems which includes continued and expanded operations in Afghanistan, Central Asia and potentially Africa.

Successful execution of DLA capabilities in support of the OCO mission is critical to the Warfighter. Without the additional funding described above, DLA will be forced to curtail support to non-OCO missions; satellite links will continue to be saturated, directly impacting European, CONUS, and/or Pacific operations.

(Dollars in Millions)		FY 2014 Enacted	FY 2015 Request	FY 2016 Request
G. Subactivity Group - Operations - IT Contractor Support				
5.11 Other - DLA Supply Chain Management	OFS	\$.525	\$.550	\$.550
	Total	\$.525	\$.550	\$.550

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, telephone, individual desktop, wide area ETN, SATCOM, repairs and troubleshooting of wide-area connectivity problems to stabilize the infrastructure, as well as support SATCOM requirements and expanded customer base in SWA supporting surge recovery activities.

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 AFRICOM operations.

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

Impact if not funded: Personnel assigned would not have the equipment necessary to access critical logistics systems required to execute the drawdown.

(Dollars in Millions)		FY 2014 Enacted	FY 2015 Request	FY 2016 Request
H.	Subactivity Group - Operations - Corporate Support			
	5.11 Other - DLA Supply Chain Management	OFS	\$1.078	\$1.380
	Total		\$1.078	\$1.380
				\$1.380

Narrative Justification: In FY 2016 DLA will continue to support operations for DLA Joint Logistics Operations Center (JLOC), DLA Support Teams (DSTs), DLA Command Chaplain Office, and DLA Office of the Inspector General (OIG).

DLA Joint Logistics Operations Center (JLOC): The JLOC request of \$1.300 million in FY 2016 is to support DLA deployments to CENTCOM. JLOC supports the Director's Guidance-Warfighter Support (WS 1, 2, and 3) by maximizing warfighter potential providing agile, responsive and integrated logistical situational awareness and solutions to facilitate decision making and influence the DLA Supply Chain in support of the Military Services, Combatant Commands and the Warfighter. JLOC also ensures DLA resources and capabilities provide direct mission support of expected and emergent Warfighter requirements and force drawdown/equipment reset in the Southwest Asia theater (Afghanistan and Iraq). JLOC provides direct support in planning and support for Service asset reset actions at industrial sites (retrograde, reset, and redistribution). Additionally, JLOC maximizes Warfighter potential by leading the Agency's effort in ensuring successful mission support to the Department of State in Iraq and Drawdown in Afghanistan, while minimizing impact on "Boots on Ground" dates, and ensures correct manpower/staffing levels to support the changing mission in the CENTCOM Area of Operation. JLOC plans and oversees execution of DLA participation in Joint exercises that validate Support Plans and prepare the Agency and our customers for contingency operations in the CENTCOM Area of Operation. As the largest JLOC expense, deployment costs include those associated with travel and training engaged in contingency operations as part of the DLA Support Teams (DSTs) and to support Global Manning Document System supporting CENTCOM. The DSTs and other DLA deployed members provide direct support to Warfighters and optimize supply chain performance working directly with the warfighter downrange.

Impact if not funded: Supporting DoD operational and contingency requirements is essential for effective execution and sustainment of the Combatant Commanders' missions in the CENTCOM, PACOM, and EUCOM Areas of Operations. The full

funding of DLA's deployments and support to the COCOMs also include Readiness, Training, and Equipping all Civilians and Military for pre-deployment and post deployment and exercises. If unfunded, the Agency's Global missions will be severely degraded.

DLA Support Teams (DSTs): DLA Central performs management of DSTs in Kuwait and Afghanistan who are deployed in support of the CENTCOM Warfighter. DST funding requirements include phones and phone services, office supplies, vehicle leases, IT equipment, and intra-theater travel. The expected FY 2014, FY 2015, and FY 2016 DST requirements cost is a little less than \$100 thousand per FY.

Impact if not funded: Supporting DST requirements is necessary for full execution and sustainment of their mission in the CENTCOM Area of Operations. If unfunded, the mission of the DSTs will be degraded.

DLA Office of the Inspector General (OIG): has responsibility to provide audit support to DLA activities participating in OFS. OIG is conducting an enterprise audit to determine if adequate controls are in place to handle the expected surge in materiel as troops are drawn down. Further, OIG has responsibility to conduct criminal investigations relating to DLA activities participating in OFS where Defense Criminal Investigative Organizations decline to conduct investigations. OIG also has a responsibility to conduct Crime Vulnerability Assessments to identify crime conducive conditions and recommend their correction. Due to issues associated with retrograde DLA is hiring an auditor to be based in Germany who will focus on OFS. Travel to the OFS theaters is expected to increase proportionally.

Impact if not funded: Audits and investigations such as the ones listed above have to be conducted. If not funded cost of this theater support would be in the DWCF rates.

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Supply Management Summary by Division
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2014
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
CLOTHING & TEXTILES	1,345.7	1,752.5	1,847.9	0.0	0.0	1,847.9	0.0	0.0	1,847.9
MEDICAL	5,420.6	5,585.3	5,648.2	0.0	0.0	5,648.2	6.2	0.0	5,654.4
SUBSISTENCE	2,533.6	2,770.6	2,947.4	0.0	0.0	2,947.4	0.3	0.0	2,947.7
CONSTRUCTION & EQUIPMENT	2,333.5	2,242.5	2,510.8	0.0	0.0	2,510.8	0.0	0.0	2,510.8
INDUSTRIAL HARDWARE	402.8	587.5	568.0	0.0	0.0	568.0	1.3	0.0	569.3
AVIATION	2,683.5	3,639.4	4,148.9	0.0	0.0	4,148.9	4.0	0.0	4,152.9
LAND	1,324.1	1,563.6	1,559.7	0.0	0.0	1,559.7	0.0	0.0	1,559.7
MARITIME	1,119.4	1,449.7	1,553.9	0.0	0.0	1,553.9	1.3	0.0	1,555.2
SM-1 without Variability (SM-3A)	17,163.2	19,591.1	20,784.8	0.0	0.0	20,784.8	0.0	0.0	20,784.8
LOGISTICS INFORMATION	0.0	0.0	146.2	0.0	0.0	146.2	0.0	0.0	146.2
TRANSACTION SERVICES	0.0	0.0	55.122	0.0	0.0	55.1	6.5	0.0	61.6
MANAGEMENT HEADQUARTERS	0.0	0.0	200.9	0.0	0.0	200.9	0.0	0.0	200.9
ENTERPRISE OPERATIONS	0.0	0.0	555.2	0.0	0.0	555.2	0.3	0.0	555.5
ENTERPRISE INFORMATION TECH.	0.0	0.0	379.1	0.0	0.0	379.1	26.8	0.0	405.9
CENTRAL FUND	0.0	0.0	319.7	0.0	0.0	319.7	0.0	0.0	319.7
TOTAL MATERIEL SUPPLY CHAIN	17,163.2	19,591.1	22,441.0	0.0	0.0	22,441.0	46.720	0.0	22,487.7
DISTRIBUTION	0.0	0.0	1,291.7	0.0	0.0	1,291.7	30.9	0.0	1,322.6
DISPOSITION SERVICES	0.0	0.0	408.4	0.0	46.5	454.9	3.1	0.0	458.0
TOTAL SUPPLY CHAIN MANAGEMENT	17,163.2	19,591.1	24,141.1	0.0	46.5	24,187.6	80.7	0.0	24,268.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Supply Management Summary by Division
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2015
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
CLOTHING & TEXTILES	1,485.3	1,785.9	1,736.0	0.0	0.0	1,736.0	0.3	369.6	2,105.9
MEDICAL	5,435.1	5,666.7	5,612.6	0.0	0.0	5,612.6	5.7	1,351.1	6,969.4
SUBSISTENCE	2,101.0	2,291.3	2,196.5	0.0	0.0	2,196.5	0.4	507.7	2,704.6
CONSTRUCTION & EQUIPMENT	2,166.3	2,380.9	2,264.2	0.0	0.0	2,264.2	0.4	529.7	2,794.3
INDUSTRIAL HARDWARE	380.7	525.2	459.4	0.0	0.0	459.4	0.3	93.1	552.8
AVIATION	2,552.4	3,458.6	3,420.2	0.0	0.0	3,420.2	6.1	628.4	4,054.7
LAND	1,188.8	1,498.1	1,437.8	0.0	0.0	1,437.8	0.0	296.2	1,734.0
MARITIME	979.7	1,242.5	1,280.0	0.0	0.0	1,280.0	8.4	239.4	1,527.8
SM-1 without Variability (SM-3A)	16,289.3	18,849.2	18,406.7	0.0	0.0	18,406.700	0.0	0.0	18,406.7
LOGISTICS INFORMATION	0.0	0.0	180.3	0.0	0.0	180.3	8.0	0.0	188.3
TRANSACTION SERVICES	0.0	0.0	58.9	0.0	0.0	58.9	9.9	0.0	68.8
MANAGEMENT HEADQUARTERS	0.0	0.0	198.5	0.0	0.0	198.5	0.0	0.0	198.5
ENTERPRISE OPERATIONS	0.0	0.0	471.6	0.0	0.0	471.6	0.5	0.0	472.1
ENTERPRISE INFORMATION TECH.	0.0	0.0	300.4	0.0	0.0	300.4	18.9	0.0	319.3
CENTRAL FUND	0.0	0.0	337.8	0.0	0.0	337.8	0.0	0.0	337.8
TOTAL MATERIEL SUPPLY CHAIN	16,289.3	18,849.2	19,954.2	0.0	0.0	19,954.2	58.9	4,015.2	24,028.3
DISTRIBUTION	0.0	0.0	1,417.7	0.0	0.0	1,417.7	40.2	0.0	1,457.9
DISPOSITION SERVICES	0.0	0.0	419.1	0.0	44.3	463.4	5.5	0.0	468.9
TOTAL SUPPLY CHAIN MANAGEMENT	16,289.3	18,849.2	21,791.0000	0.0	44.3	21,835.3	104.6	4,015.2	25,955.1

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Supply Management Summary by Division
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2016
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
CLOTHING & TEXTILES	1,504.5	1,792.5	1,685.8	0.0	0.0	1,685.8	0.3	354.2	2,040.3
MEDICAL	5,488.8	5,737.4	5,679.2	0.0	0.0	5,679.2	5.7	1,364.6	7,049.5
SUBSISTENCE	2,068.8	2,256.9	2,197.6	0.0	0.0	2,197.6	0.4	505.4	2,703.4
CONSTRUCTION & EQUIPMENT	2,162.5	2,420.8	2,278.4	0.0	0.0	2,278.4	0.4	531.9	2,810.7
INDUSTRIAL HARDWARE	383.3	559.0	462.0	0.0	0.0	462.0	0.3	93.4	555.7
AVIATION	2,527.9	3,430.0	3,342.8	0.0	0.0	3,342.8	11.5	621.7	3,976.0
LAND	1,169.1	1,574.1	1,427.0	0.0	0.0	1,427.0	0.0	293.9	1,720.9
MARITIME	979.1	1,307.2	1,299.8	0.0	0.0	1,299.8	10.5	245.2	1,555.5
SM-1 without Variability (SM-3A)	16,284.0	19,077.9	18,372.6	0.0	0.0	18,372.600	0.0	0.0	18,372.6
LOGISTICS INFORMATION	0.0	0.0	171.5	0.0	0.0	171.5	6.9	0.0	178.4
TRANSACTION SERVICES	0.0	0.0	57.7	0.0	0.0	57.7	8.2	0.0	65.9
MANAGEMENT HEADQUARTERS	0.0	0.0	204.5	0.0	0.0	204.5	0.0	0.0	204.5
ENTERPRISE OPERATIONS	0.0	0.0	435.1	0.0	0.0	435.1	0.5	0.0	435.6
ENTERPRISE INFORMATION TECH.	0.0	0.0	258.8	0.0	0.0	258.8	22.6	0.0	281.4
CENTRAL FUND	0.0	0.0	534.3	0.0	0.0	534.3	0.0	0.0	534.3
TOTAL MATERIEL SUPPLY CHAIN	16,284.0	19,077.9	20,034.5	0.0	0.0	20,034.5	67.3	0.0	20,101.8
DISTRIBUTION	0.0	0.0	1,410.3	0.0	0.0	1,410.3	41.3	0.0	1,451.6
DISPOSITION SERVICES	0.0	0.0	403.8	0.0	45.1	448.9	3.7	0.0	452.6
TOTAL SUPPLY CHAIN MANAGEMENT	16,284.0	19,077.9	21,848.600	0.0	45.1	21,893.7	112.3	4,010.3	26,016.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2014 Inventory Status
(\$ in millions)

Materiel Supply Chain	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	11,624.469	7,925.155	655.723	3,043.592
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-0.574	-285.006	-173.509	457.941
b. Price Change Amount (Memo)	0.670	0.000	0.670	0.000
c. Inventory Reclassified and Repriced	11,624.565	7,640.149	482.884	3,501.533
3. PURCHASES	17,217.027	16,880.309	336.718	0.000
4. GROSS SALES AT COST	-17,076.276	-16,717.012	-359.264	0.000
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	601.127	215.066	2.294	383.767
Transfer to other DLA ICPs	3.296	3.296	0.000	0.000
Transfer from other DLA ICPs	8.347	-0.714	2.294	6.767
Transfers from Military Services	589.484	212.484	0.000	377.000
b. Returns from Customers for Credit	127.984	127.972	0.012	0.000
c. Returns for Customers without Credit	319.036	-154.833	2.118	471.751
d. Returns to Suppliers (-)	0.000	0.000	0.000	0.000
e. Transfers to Property Disposal (-)	-1,475.050	-99.662	-5.837	-1,369.551
f. Issues/Receipts without Reimbursement (+/-)	0.000	0.000	0.000	0.000
g. Other (List and Explain)	-93.214	-78.967	-4.330	-9.917
h. Total Adjustments	-520.117	9.576	-5.743	-523.950
6. INVENTORY - End of Period (EOP)	11,245.200	7,813.022	454.595	2,977.583
7. INVENTORY ON ORDER EOP	7,819.157	7,489.737	329.420	0.000
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2015 Inventory Status
(\$ in millions)

Materiel Supply Chain	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	11,245.200	7,813.022	454.595	2,977.583
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.000	-90.000	0.000	90.000
b. Price Change Amount (Memo)	0.000	0.000	0.000	0.000
c. Inventory Reclassified and Repriced	11,245.200	7,723.022	454.595	3,067.583
3. PURCHASES	16,970.056	16,751.485	218.571	0.000
4. GROSS SALES AT COST	-16,560.486	-16,359.572	-200.914	0.000
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	199.170	139.170	0.000	60.000
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	199.170	139.170	0.000	60.000
b. Returns from Customers for Credit (+)	152.691	152.691	0.000	0.000
c. Returns for Customers without Credit	250.962	10.192	2.614	238.156
d. Returns to Suppliers (-)	0.000	0.000	0.000	0.000
e. Transfers to Property Disposal (-)	-622.199	0.000	0.000	-622.199
f. Issues/Receipts without Reimbursement (+/-)	0.000	0.000	0.000	0.000
g. Other (List and Explain)	100.232	104.178	38.970	-42.916
h. Total Adjustments	80.856	406.231	41.584	-366.959
6. INVENTORY - End of Period (EOP)	11,735.625	8,521.166	513.836	2,700.624
7. INVENTORY ON ORDER EOP	6,842.201	6,587.306	254.895	0.000
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2016 Inventory Status
(\$ in millions)

Materiel Supply Chain	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	11,735.625	8,521.166	513.836	2,700.624
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.000	-30.000	0.000	30.000
b. Price Change Amount (Memo)	0.000	0.000	0.000	0.000
c. Inventory Reclassified and Repriced	11,735.625	8,491.166	513.836	2,730.624
3. PURCHASES	16,422.640	16,212.894	209.746	0.000
4. GROSS SALES AT COST	-16,516.365	-16,318.865	-197.500	0.000
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	164.170	134.170	0.000	30.000
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	164.170	134.170	0.000	30.000
b. Returns from Customers for Credit (+)	151.582	151.582	0.000	0.000
c. Returns for Customers without Credit	316.150	30.225	2.616	283.309
d. Returns to Suppliers (-)	0.000	0.000	0.000	0.000
e. Transfers to Property Disposal (-)	-650.072	-240.000	0.000	-410.072
f. Issues/Receipts without Reimbursement (+/-)	0.000	0.000	0.000	0.000
g. Other (List and Explain)	273.220	307.697	0.000	-34.477
h. Total Adjustments	255.050	383.674	2.616	-131.240
6. INVENTORY - End of Period (EOP)	11,896.951	8,768.870	528.698	2,599.384
7. INVENTORY ON ORDER EOP	6,492.972	6,291.734	201.238	0.000
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Mangement Activity Group
Fiscal Year (FY) 2016 Budget Estimates
February 2014
OP-32 Rate Change

Supply Chain Management Total	(\$M) FY 2015	(\$M) FY 2016	(\$M) Change
<u>Program Growth</u>			
Total Materiel Costs without Inflation	16,714.4	16,510.8	(203.7)
<u>Price Growth for OP-32</u>			
Materiel Inflation plus Materiel Cost Adjustment	484.2	470.8	(13.4)
Total Overhead Costs plus Total Pricing Adjustments	2,246.6	2,236.5	(10.1)
<u>Total Additional Cost to Customer</u>	2,730.8	2,707.3	(23.6)
<u>Total Wholesale Revenue</u>	19,445.3	19,218.0	(227.2)
			Percent
OP-32 Rate Change			-0.1%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2016 Budget Estimates
February 2015
Material Supply Chains
FY 2014
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	655.7	391.4	264.3
2. Price Change	0.7	0.0	0.7
3. Reclassification	-173.5	0.0	-173.5
4. Inventory Changes			
a. Receipts @ cost	336.7	336.7	0.0
(1). Purchases	334.6	334.6	0.0
(2). Returns from customers	2.1	2.1	0.0
b. Issues @ cost	-359.3	-359.3	0.0
(1). Sales	-353.4	-353.4	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	-5.8	-5.8	0.0
c. Adjustments @ cost	-5.7	-5.1	-0.6
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	-1.4	-1.4	0.0
(3.) Other	-4.3	-3.7	-0.6
5. Inventory EOP	454.6	363.7	90.9
1. Storage	3.5	3.5	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	3.5	3.5	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	334.6	334.6	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	334.6	334.6	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	334.6	334.6	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2016 Budget Estimates
February 2015
Material Supply Chains
FY 2015
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	454.6	363.7	90.9
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	218.6	218.6	0.0
(1). Purchases	218.6	218.6	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	-200.9	-200.9	0.0
(1). Sales	-200.9	-200.9	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	0.0	0.0	0.0
c. Adjustments @ cost	41.6	41.6	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	2.6	2.6	0.0
(3.) Other	39.0	39.0	0.0
5. Inventory EOP	513.8	423.0	90.9
1. Storage	3.5	3.5	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	3.5	3.5	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	218.6	218.6	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	218.6	218.6	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	218.6	218.6	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2016 Budget Estimates
February 2015
SCM Supply Chain
(Dollars in Millions)

	<u>ACTUAL FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
1. New Orders			
a. Orders from DoD Components	8,992.624	8,963.204	9,078.945
Army	3,711.272	3,703.950	3,745.665
O&M, Army	1,898.433	1,904.522	1,920.678
O&M - Recovery Act, Army	0.000	0.000	0.000
O&M, Army Reserve	79.663	78.678	79.794
O&M - Recovery Act, Army Reserve	0.000	0.000	0.000
O&M, Army National Guard	291.101	287.502	291.582
Army National Guard	0.000	0.000	0.000
RDT&E, Army	6.012	5.992	6.075
Aircraft Procurement, Army	10.573	10.626	10.771
Missile Procurement, Army	1.805	1.830	1.854
Procurement of Weapons & Tracked			
Vehicles, Army	7.283	7.257	7.357
Procurement of Ammunition, Army	0.113	0.112	0.113
Other Procurement, Army	45.074	45.265	45.881
Military Construction, Army	0.073	0.072	0.073
Military Construction, Army Reserve	0.000	0.000	0.000
Military Construction, Army National			
Guard	0.044	0.043	0.044
Family Housing Construction, Army	0.324	0.320	0.325
Family Housing, O&M, Army	0.116	0.115	0.116
Military Personnel, Army	1,207.859	1,192.925	1,209.853
National Guard Personnel, Army	85.814	84.753	85.956
Reserve Personnel, Army	42.575	42.049	42.645
Salaries and Expenses, Cementerial Expenses	0.015	0.015	0.015
Wildlife Conservation, etc., Military Reser	0.006	0.006	0.006
Chemical Agents and Munitions Destruction,	0.012	0.012	0.012
National Science Center, Army	0.058	0.057	0.058
Afghanistan Infrastructure Fund	0.131	0.154	0.156
Iraq Security Forces Fund	0.005	0.005	0.005
Army Other	34.183	41.641	42.297
Navy	2,154.710	2,148.131	2,178.629
O&M, Navy	1,557.382	1,558.175	1,580.302
O&M, Navy Reserve	45.560	44.997	45.635
Aircraft Procurement, Navy	61.902	61.137	62.004
Weapons Procurement, Navy	2.076	2.050	2.079
Procurement of Ammunition, Navy & MC	0.000	0.000	0.000
Other Procurement, Navy	46.116	45.546	46.192
Shipbuilding & Conversion, Navy	35.617	35.185	35.684
RDT&E, Navy	0.956	0.944	0.958
Military Construction, Navy & MC	0.131	0.129	0.131
Family Housing, O&M, Navy & MC	0.511	0.505	0.512
Other Navy Appropriations	0.066	0.071	0.072
National Defense Sealift Fund, Navy	0.113	0.112	0.113
Military Personnel, Navy	402.623	397.645	403.288
Reserve Personnel, Navy	1.611	1.591	1.614

	<u>ACTUAL FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Wildlife Conservation, etc. Military Reser	0.046	0.045	0.046
Air Force	371.887	372.102	377.416
O&M, Air Force	290.789	287.351	291.423
O&M, Air Force Reserve	0.332	0.328	0.333
O&M, Air National Guard	1.926	1.902	1.929
RDT&E, Air Force	0.219	0.218	0.221
Air Force Procurement Accounts	0.000	0.000	0.000
Aircraft Procurement, Air Force	5.990	5.936	6.019
Missile Procurement, Air Force	0.042	0.050	0.051
Other Procurement, Air Force	0.195	0.193	0.196
Military Construction, Air Force	-0.002	-0.002	-0.002
Family Housing, O&M, Air Force	0.622	0.614	0.623
Military Personnel, Air Force	31.144	30.759	31.195
Reserve Personnel, Air Force	4.594	4.537	4.602
National Guard Personnel, Air Force	14.539	14.359	14.563
International Military Education and Trair	0.019	0.019	0.019
Air Force Other	21.478	25.838	26.245
Marine Corps	611.105	606.649	615.147
O&M, MC	414.192	412.159	417.897
O&M, MC Reserve	13.260	13.096	13.282
Procurement, MC	8.396	8.292	8.410
Military Personnel, MC	154.727	152.826	154.994
Reserve Personnel, MC	20.530	20.276	20.564
DoD Appropriated Accounts	2,143.650	2,132.372	2,162.088
O&M, Defense Wide, Defense	82.181	89.504	90.476
RDT&E, Defense-Wide	0.719	0.754	0.763
Procurement, Defense-Wide	1.061	1.048	1.063
National Guard & Reserve Equipment, Defense	0.254	0.251	0.254
Military Construction, Defense-Wide	0.123	0.121	0.123
Family Housing, Defense-Wide	0.000	0.000	0.000
Defense Health Program, Defense	2,023.975	1,998.950	2,027.316
DoD, Base Closure Account 1990	0.063	0.062	0.063
DoD, Base Closure Account 2005	-0.862	-1.028	-1.036
Defense Emergency Response Fund, Defense	0.000	0.000	0.000
Support for International Sporting Competitions, Defense	0.000	0.000	0.000
Employee & Employer Contributions, Foreign Govt Social Security & Related Programs, OSD	0.000	0.000	0.000
Chemical Agent & Munitions Destruction, Defense	0.003	0.003	0.003
OSD Appropriated	36.046	42.604	42.959
DoD, Acquisition Workforce Development Fund	0.087	0.103	0.104
b. Orders from Other Activity Groups	11,088.020	9,424.687	9,570.081
Civil Corps of Engineers, Revolving Fund	0.000	0.000	0.000
OSD, Defense Working Capital Fund	0.000	0.000	0.000
Defense Agencies, Defense Working Capital Fund	15.325	12.755	12.998
Army Working Capital Funds	2,951.631	2,522.422	2,553.745
Navy Working Capital Funds	2,365.076	2,038.991	2,066.259

	<u>ACTUAL FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Air Force Working Capital Funds	5,727.796	4,820.929	4,907.875
DLA, Defense Working Capital Fund	2.691	3.023	2.345
DFAS, Defense Working Capital Fund	0.000	0.000	0.000
DECA, Defense Working Capital Fund	4.015	3.341	3.405
Other Working Capital Funds	20.799	23.215	23.444
National Defense Stockpile Transaction			
Fund	0.000	0.000	0.000
Pentagon Reservation Maintenance			
Revolving Fund	0.007	0.000	0.000
Global HIV/AIDS Initiative	0.009	0.000	0.000
DoD-VA Health Care Sharing Incentive			
Fund	0.426	0.000	0.000
Other DoD (no system report)	0.245	0.010	0.010
c. Total DoD	20,080.644	18,387.891	18,649.026
d. Other Orders:			
Other Federal Agencies	905.452	1,639.451	1,620.875
Non-Federal Agencies	0.000	517.331	511.780
Foreign Military Sales	1.187	290.473	285.531
Credit Card Purchases	904.265	831.646	823.564
	0.000	0.000	0.000
e. Total New Orders	20,986.096	20,027.342	20,269.902
2. Carry-In Orders	3,087.808	3,365.352	3,225.152
3. Total Gross Orders	24,073.904	23,392.694	23,495.054
4. Carry-Out Orders (-)	-3,365.352	-3,225.152	-3,126.485
5. Sales Proceeds (Disposition Only)	104.003	122.097	130.016
6. Gross Sales (-)	20,812.555	20,289.638	20,498.585
7. Credits & Allowances (-)	-189.628	-210.635	-208.615
8. Net Sales	20,622.927	20,079.003	20,289.970
9. Reimbursable Sales	762.194	912.764	896.543
10. Total Revenue	21,385.121	20,991.768	21,186.513

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Revenue and Costs
Fiscal Year (FY) 2016 Budget Estimates
February 2015
Total Supply Chain Management
(Dollars in Millions)

	FY 2014	FY 2015	FY 2016
Revenue			
Gross Sales	19,780.7	19,059.7	19,286.6
Operations	19,846.3	19,073.6	19,294.4
Capital Surcharge	-74.9	-25.4	-19.5
Depreciation excluding Major Construction	9.3	11.5	11.7
Other Income	1,794.0	2,142.8	2,108.5
Reimbursable Income	1,761.0	2,091.4	2,056.3
Other Income Depreciation	33.0	51.4	52.2
Refunds/Discounts (-)	-189.6	-210.6	-208.6
Total Revenue	21,385.1	20,991.8	21,186.5
Costs			
Cost of Materiel Sold from Inventory	16,948.3	16,407.8	16,364.8
Salaries and Wages:			
Military Personnel Compensation & Benefits	40.1	44.2	44.6
Civilian Personnel Compensation & Benefits	2,069.3	2,170.2	2,179.5
Travel & Transportation	25.0	31.7	32.3
Materials & Supplies (For internal operations)	47.5	66.5	70.5
Equipment	130.0	120.4	89.8
Other Purchases from Revolving Funds	329.1	302.0	473.6
Transportation of Things	367.4	446.9	448.1
Depreciation - Capital	152.6	181.1	184.9
Printing and Reproduction	12.9	13.0	13.4
Advisory and Assistance Service	0.6	50.1	49.3
Rent, Communications, Utilities & Misc. Charges	68.6	59.8	60.9
Other Purchased Services	1,399.0	2,013.8	1,931.5
Total Costs	21,590.4	21,907.6	21,943.2
Operating Results	-205.3	-915.8	-756.7
Less Capital Surcharge Reservation	74.9	25.4	19.5
Less Recover Other	0.0	0.0	0.0
Plus Passthrough or Other Appropriations Affecting NOR	93.2	83.7	84.5
Plus Passthrough or Other Appropriations Not Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	-611.3	-44.3	9.3
Net Operating Results	-648.5	-851.0	-643.4
Prior Year Accumulated Operating Results	1,504.8	856.2	-93.4
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	0.0	-98.7	-55.8
Accumulated Operating Result	856.2	-93.5	-792.6

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fiscal Year (FY) 2016 Budget Estimates
FEBRUARY 2015

FUNCTIONAL DESCRIPTION

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

BUDGET HIGHLIGHTS

FY 2016 reflects adjustments in fuel cost assumptions and is in line with future market projections included in the Office of Management and Budget's (OMB's) economic assumptions.

Sustainment, Restoration, and Modernization (SRM)

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

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Maintenance & Repair	\$443.3	\$337.5	\$343.9
Demolition	\$9.3	\$12.0	\$12.4
Non-ADP Equipment	\$54.7	\$42.0	\$43.9
Minor Construction	\$17.9	\$13.2	\$13.5
Total SRM (Operating Only)	\$525.2	\$404.7	\$413.7

Transportation

DLA Energy budgets for worldwide transportation of fuel via various modes of transportation to include tanker, truck, pipeline, and rail car. The main cost driver in the transportation budget is the per diem rates paid to Military

Sealift Command (MSC). Similar to DLA Energy, MSC is funded through a working capital fund resulting in fluctuating rates.

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Transportation	\$208.0	\$398.8	\$413.0

Terminal Operations (TOPS) and Facility Operations

DLA Energy funds contractor and government operated storage and distribution operations worldwide. Most storage and distribution requirements are funded via multi-year recurring service contracts and funding requirements change from year to year depending on contract award patterns.

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
TOPS	\$525.5	\$436.8	\$278.9
Facility Operations	\$1.9	\$4.0	\$4.1
Total TOPS and Facilities	\$527.4	\$440.8	\$283.0

Environmental

DLA Energy provides funding for environmental compliance and restoration at military service locations that store and manage capitalized fuel. The Defense Fuel Support Points that store capitalized fuel rely on DLA Energy funding for their environmental program costs to comply with federal, state, and local laws and regulations. Environmental costs include permit fees, oil spill response organization fees and other spill response expenses, waste disposal fees, costs associated with updating spill response plan, sampling and analyzing fees, and spill response and remediation costs.

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Environmental	\$81.1	\$83.7	\$85.4

Aerospace Energy (AE)

In addition to petroleum based products, DLA Energy provides fuel in the form of missile propellants & cryogenics to customers worldwide. Costs for AE include product, transportation, operations, and storage costs. Obligations fluctuate each year primarily due to storage contracts, which are typically 5-year contracts. In FY 2015, obligations are expected to be higher than average due to a projected obligation for a 5-year contract for storage of hydrazine products.

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
AE Sales	\$56.1	\$64.0	\$64.0
AE Obligations	\$49.6	\$81.2	\$47.5

PERFORMANCE INDICATORS

Net Sales

DLA Energy measures its workload in terms of net barrels sold. Net sales reflect requirements provided to DLA Energy by the Military Services and other authorized customers. The table below displays projected net sales over the budget period.

(Barrels in Millions)	FY 2014	FY 2015	FY 2016
Net Sales	99.2	94.0	93.3

Net Sales estimates in FY 2015-2016 are derived from demand forecasts from the Military Services.

Net Operating Results (NOR)

The NOR is the difference between revenue (including reimbursements) and expenses. NOR includes, as applicable, transfers and other income, such as federal and state excise taxes collected on sales. Transfers can include Overseas Contingency Operations (OCO) and capital surcharges.

In January of FY 2014, DLA Energy received a transfer-in of \$85.0 million for OCO. Additionally, a transfer-out of \$347.5 million occurred in August resulting in a net transfer of \$262.5 million. In FY 2015, DLA Energy received a transfer-in of \$47.0 million for OCO and expects the same for FY 2016.

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Revenue	\$15,988.6	\$14,862.6	\$13,710.1
Expenses	\$16,899.3	\$14,973.5	\$13,643.2
Operating Results	(\$910.7)	(\$110.9)	\$66.9
Transfers	(\$262.5)	\$47.0	\$47.0
Capital Surcharge	(\$39.6)	(\$18.7)	(\$2.0)
Net Operating Results	(\$1,212.8)	(\$82.7)	111.8
Prior Year Accumulated Operating Results(AOR)	\$875.6	(\$337.2)	(\$419.9)
Other Changes Affecting AOR	(\$302.1)	\$0.0	\$308.1
AOR	(\$337.2)	(\$419.9)	\$0.0

Cash

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

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Disbursements	\$15,882.4	\$14,503.2	\$13,717.9
Collections	\$15,830.0	\$14,988.7	\$13,710.1
Net Outlays	\$52.4	(\$485.5)	\$7.8
Overseas Contingency Operations	\$85.0	\$47.0	\$47.0
Transfers	(\$347.5)	\$0.0	\$47.0
Cash Gain (-)/Loss (+)	314.9	(\$532.5)	(\$39.2)

Unit Cost

Unit cost per barrel sold for petroleum products is the cost per-barrel (obligation authority plus depreciation) for product and non-product costs divided by net sales barrels.

(Dollar per Barrel)	FY 2014	FY 2015	FY 2016
Energy Petroleum Unit Cost	\$159.65	\$157.87	\$143.52

ENERGY PRICING (PETROLEUM)

The Department of Defense (DoD) only buys refined petroleum products and bases commodity pricing on forecasts provided by the OMB. The OMB establishes economic forecasts based on market futures data from the New York Mercantile Exchange.

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

(Dollar per Barrel)	FY 2014	FY 2015	FY 2016
Petroleum Refined Cost	\$141.01	\$134.46	\$122.56

The standard price was \$152.04 per barrel in FY 2014. The standard price is \$155.40 per barrel in FY 2015 and \$144.06 per barrel in FY 2016.

The following table provides the standard price for FY 2014 through FY 2016:

(Dollar per Barrel)	FY 2014	FY 2015	FY 2016
Standard Price	\$152.04	\$155.40 ¹	\$144.06

INVENTORY

DLA Energy FY 2016 inventory objective is 55.5 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 losses include losses from insurgent attacks, theft, and spillage caused by a lack of fully matured infrastructure in Afghanistan.

(Barrels in Millions)	FY 2014	FY 2015	FY 2016
<u>Beginning Inventory</u>	56.4	56.0	56.0
Peacetime Operating	21.9	21.5	21.5
WRM	34.5	34.5	34.5
Receipts	99.0	96.0	94.9
Net Sales	(99.2)	(94.0)	(93.3)
Returns without Credit	0.0	0.0	0.0
Net Gains/Losses (normal)	0.5	(2.0)	(2.0)
Combat Losses	0.0	(0.1)	(0.1)
<u>Ending Inventory</u>	56.0	56.0	55.5
Peacetime Operating	25.5	21.5	21.0
WRM	34.5	34.5	34.5

OPERATIONS

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

(Manpower)	FY 2014	FY 2015	FY 2016
End Strength			
Military	76	76	76

¹ Effective 1 February 2015, the FY 2015 standard price was reduced to \$136.92 per barrel. This adjustment was to address a decline in refined product costs and an increase in the Defense-Wide Working Capital Fund (DWWCF) cash balance. Revised pricing was not published at the time of Budget Estimate Submission, so \$155.40 per barrel is assumed.

Civilian	1,212	1,300	1,300
Total	1,288	1,376	1,376
FTEs			
Military	76	76	76
Civilian	1,243	1,245	1,245
Total	1,319	1,321	1,321

CAPITAL

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

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Equipment (non-ADP)	\$18.0	\$19.8	\$17.3
Software & ADP Equipment	\$17.5	\$0.0	\$0.0
Minor Construction	\$12.3	\$45.7	\$46.5
Total	\$47.8	\$65.5	\$63.8

The FY 2016 capital budget estimate of \$63.8 million reflects a slight decrease (\$2.0 million) from FY 2015.

OVERSEAS CONTINGENCY OPERATIONS (OCO) SUPPLEMENTAL REQUEST

Transfers for DLA OCO were provided in FY 2014 and FY 2015 and requested in FY 2016. The transfer requests below are in support of operations in Afghanistan.

(Dollars in Millions)	FY 2014	FY 2015	FY 2016
Combat Fuel Losses	\$10.0	\$10.0	\$10.0
Fuel Transportation, TOPS & AE (Operations)	\$75.0	\$37.0	\$37.0
Total OCO	\$85.0	\$47.0	\$47.0

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2016 Budget Estimates
 February 2015
 FY 2014
 (Dollars in Millions)
 FY 2014 - FY 2016

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target	
			Operating	Mobilization	Direct APPN	Total Operating Obligations			Total Capital Obligations
ENERGY MISSION	15,763.0	15,763.0	19,073.2	0.0	20.4	19,093.6	47.8	0.0	19,141.4
AEROSPACE	56.1	56.1	49.6	0.0	1.5	51.1	0.0	0.0	51.1
NATURAL GAS	0.1	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1
REIMBURSABLE	13.3	13.3	13.3	0.0	0.0	13.3	0.0	0.0	13.3
TOTAL	15,832.4	15,832.4	19,136.3	0.0	21.8	19,158.1	47.8	0.0	19,205.9

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2016 Budget Estimates
 February 2015
 FY 2015
 (Dollars in Millions)
 FY 2014 - FY 2016

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target	
			Operating	Mobilization	Direct APPN	Total Operating Obligations			Total Capital Obligations
ENERGY MISSION	14,604.0	14,604.0	14,047.6	0.0	42.0	14,089.6	65.5	2,500.0	16,655.1
AEROSPACE	64.0	64.0	81.2	0.0	4.9	86.180	0.0	0.0	86.2
REIMBURSABLE	42.1	42.1	42.1	0.0	0.0	42.1	0.0	0.0	42.1
TOTAL	14,710.1	14,710.1	14,170.9	0.0	47.0	14,217.891	65.5	2,500.0	16,783.4

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2016 Budget Estimates
 February 2015
 FY 2016
 (Dollars in Millions)
 FY 2014 - FY 2016

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
ENERGY MISSION	13,444.5	13,444.5	13,442.3	0.0	42.0	13,484.4	63.8	2,500.0	16,048.2
AEROSPACE	64.0	64.0	47.5	0.0	4.9	52.467	0.0	0.0	52.5
REIMBURSABLE	45.8	45.8	45.8	0.0	0.0	45.8	0.0	0.0	45.8
TOTAL	13,554.3	13,554.3	13,535.7	0.0	47.0	13,582.6	63.8	2,500.0	16,146.4

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2014
(Dollars in Millions)
FY 2014 - FY 2016

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	7,239.1	2,825.8	4,413.3	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	119.8	2.6	117.2	0.0
c. Inventory Reclassified and Repriced	7,358.9	2,828.4	4,530.5	0.0
3. PURCHASES	13,988.5	13,988.5	0.0	0.0
4. GROSS SALES AT COST	-14,020.3	-14,020.3	0.0	0.0
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from Military Services	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	0.0	0.0	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	67.7	67.7	0.0	0.0
g. Combat Losses (-)	-0.4	-0.4	0.0	0.0
h. Total Adjustments	67.3	67.3	0.0	0.0
6. INVENTORY - End of Period (EOP)	7,394.4	2,863.9	4,530.5	0.0
7. INVENTORY ON ORDER EOP	7,394.4	2,863.9	4,530.5	0.0
8. Narrative (Explanation of unusotal changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2015
(Dollars in Millions)
FY 2014 - FY 2016

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	7,394.4	2,863.9	4,530.5	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	140.4	32.1	108.3	0.0
c. Inventory Reclassified and Repriced	7,534.9	2,896.0	4,638.9	0.0
3. PURCHASES	12,954.3	12,954.3	0.0	0.0
4. GROSS SALES AT COST	-13,478.6	-13,478.6	0.0	0.0
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from Military Services	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	806.8	806.8	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	-262.5	-262.5	0.0	0.0
g. Combat Losses (-)	-10.0	-10.0	0.0	0.0
h. Total Adjustments	534.3	534.3	0.0	0.0
6. INVENTORY - End of Period (EOP)	7,544.8	2,905.9	4,638.9	0.0
7. INVENTORY ON ORDER EOP	7,544.8	2,905.9	4,638.9	0.0
8. Narrative (Explanation of unusutal changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2016 Budget Estimates
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FY 2014 - FY 2016

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	7,544.8	2,905.9	4,638.9	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	-737.2	-326.7	-410.6	0.0
c. Inventory Reclassified and Repriced	6,807.6	2,579.3	4,228.3	0.0
3. PURCHASES	11,672.6	11,672.6	0.0	0.0
4. GROSS SALES AT COST	-12,209.1	-12,209.1	0.0	0.0
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from Military Services	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	735.4	735.4	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	-239.2	-239.2	0.0	0.0
g. Combat Losses (-)	-10.0	-10.0	0.0	0.0
h. Total Adjustments	486.1	486.1	0.0	0.0
6. INVENTORY - End of Period (EOP)	6,757.2	2,528.9	4,228.3	0.0
7. INVENTORY ON ORDER EOP	6,757.2	2,528.9	4,228.3	0.0
8. Narrative (Explanation of unusutal changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2014
(Dollars in Millions)
FY 2014 - FY 2016

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	4,413.3	4,413.3	0.0
2. Price Change (Memo)	117.2	117.2	0.0
3. Reclassification	4,530.5	4,530.5	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	4,530.5	4,530.5	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. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2015
(Dollars in Millions)
FY 2014 - FY 2016

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	4,530.5	4,530.5	0.0
2. Price Change (Memo)	108.3	108.3	0.0
3. Reclassification	4,638.9	4,638.9	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	4,638.9	4,638.9	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. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2016
(Dollars in Millions)
FY 2014 - FY 2016

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	4,638.9	4,638.9	0.0
2. Price Change (Memo)	(410.6)	(410.6)	0.0
3. Reclassification	4,228.3	4,228.3	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	4,228.3	4,228.3	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. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2016 Budget Estimates
February 2015
Energy Supply Chain
(Dollars in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
1. New Orders			
a. Orders from DoD Components	12,236.0	11,368.5	10,463.3
Army	1,489.5	1,151.5	1,004.2
O&M, Army	1,211.8	775.9	676.6
O&M - Recovery Act, Army	0.0	0.0	0.0
O&M, Army Reserve	24.7	33.9	29.6
O&M - Recovery Act, Army Reserve	0.0	0.0	0.0
O&M, Army National Guard	160.6	110.5	96.3
Army National Guard	0.0	0.5	0.5
RDT&E, Army	55.8	102.2	89.1
Aircraft Procurement, Army	3.1	4.3	3.7
Missile Procurement, Army	1.9	0.6	0.5
Procurement of Weapons & Tracked			
Vehicles, Army	1.8	0.1	0.1
Procurement of Ammunition, Army	0.0	0.4	0.3
Other Procurement, Army	2.9	0.1	0.1
Military Construction, Army	1.0	2.6	2.2
Military Construction, Army Reserve	0.9	3.2	2.8
Military Construction, Army National			
Guard	0.9	6.2	5.4
Family Housing Construction, Army	0.0	0.1	0.1
Family Housing, O&M, Army	1.9	39.8	34.7
Military Personnel, Army	17.5	36.0	31.4
National Guard Personnel, Army	2.9	0.0	0.0
Reserve Personnel, Army	0.7	0.9	0.8
Afghanistan Infrastructure Fund	0.0	0.0	0.0
Iraq Security Forces Fund	0.0	0.0	0.0
Army Other	1.0	34.4	30.0
Navy	3,699.3	3,590.0	3,176.1
O&M, Navy	3,472.9	3,389.0	2,998.3
O&M, Navy Reserve	215.0	185.1	163.7
Aircraft Procurement, Navy	4.2	3.1	2.7
Weapons Procurement, Navy	1.3	0.3	0.3
Procurement of Ammunition, Navy & MC	0.0	0.0	0.0
Other Procurement, Navy	1.8	2.9	2.5
Shipbuilding & Conversion, Navy	0.3	0.0	0.0
RDT&E, Navy	3.7	0.4	0.3
Military Construction, Navy & MC	0.0	0.0	0.0
Family Housing, O&M, Navy & MC	0.0	0.0	0.0
Other Navy Appropriations	0.0	9.3	8.3
National Defense Sealift Fund, Navy	0.0	0.0	0.0
Military Personnel, Navy	0.0	0.0	0.0
Reserve Personnel, Navy	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2016 Budget Estimates
February 2015
Energy Supply Chain
(Dollars in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Air Force			
O&M, Air Force	6,816.1	6,412.0	6,083.0
O&M, Air Force Reserve	4,571.5	4,150.2	3,937.2
O&M, Air National Guard	698.5	0.0	0.0
RDT&E, Air Force	1,396.8	719.4	682.5
Air Force Procurement Accounts	143.8	106.8	101.3
Aircraft Procurement, Air Force	0.0	0.0	0.0
Missile Procurement, Air Force	0.0	0.4	0.4
Other Procurement, Air Force	2.2	0.0	0.0
Military Construction, Air Force	0.0	0.0	0.0
Family Housing, O&M, Air Force	0.0	0.0	0.0
Military Personnel, Air Force	3.2	3.0	2.8
Reserve Personnel, Air Force	0.0	0.0	0.0
National Guard Personnel, Air Force	0.0	0.0	0.0
Air Force Other	0.0	1,403.4	1,331.4
		29.0	27.5
Marine Corps	75.8	95.3	88.7
O&M, MC	72.6	79.3	73.8
O&M, MC Reserve	2.0	1.6	1.5
Procurement, MC	1.2	0.2	0.2
Military Personnel, MC	0.0	0.0	0.0
Marine Corp Other	0.0	14.2	13.2
DoD Appropriated Accounts	155.2	119.7	111.3
O&M, Defense Wide, Defense	143.2	119.7	111.3
RDT&E, Defense-Wide	0.4	0.0	0.0
Procurement, Defense-Wide	0.8	0.0	0.0
National Guard & Reserve Equipment, Defense	0.2	0.0	0.0
Military Construction, Defense-Wide	0.0	0.0	0.0
Family Housing, Defense-Wide	0.0	0.0	0.0
Defense Health Program, Defense	2.7	0.0	0.0
DoD, Base Closure Account 1990	6.3	0.0	0.0
DoD, Base Closure Account 2005	0.0	0.0	0.0
Defense Emergency Response Fund, Support for International Sporting Competitions, Defense	0.1	0.0	0.0
Employee & Employer Contributions, Foreign Govt Social Security & Related Programs, OSD	1.5	0.0	0.0
OSD Appropriated	0.0	0.0	0.0
DoD, Acquisition Workforce Development Fund	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2016 Budget Estimates
February 2015
Energy Supply Chain
(Dollars in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
b. Orders from Other Activity Groups	2,385.3	2,309.5	2,130.9
Civil Corps of Engineers, Revolving	0.0	0.0	0.0
OSD, Defense Working Capital Fund	0.0	0.0	0.0
Defense Agencies, Defense Working			
Capital Fund	0.0	0.0	0.0
Army Working Capital Funds	82.2	68.5	59.5
Navy Working Capital Funds	876.3	840.7	743.5
Air Force Working Capital Funds	1426.6	1400.4	1327.9
DLA, Defense Working Capital Fund	0.0	0.0	0.0
DFAS, Defense Working Capital Fund	0.0	0.0	0.0
DECA, Defense Working Capital Fund	0.0	0.0	0.0
Other Working Capital Funds	0.0	0.0	0.0
National Defense Stockpile Transaction			
Fund	0.0	0.0	0.0
Other DoD (no system report)	0.1	0.0	0.0
c. Total DoD	14,621.3	13,678.1	12,594.2
d. Other Orders:	1,705.9	1,964.4	1,824.5
Other Federal Agencies	671.3	795.9	738.6
Non-Federal Agencies	613.2	592.7	552.1
Foreign Military Sales	421.5	575.7	533.8
Credit Card Purchases	0.0	0.0	0.0
e. Total New Orders	16,327.2	15,642.5	14,418.7
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	16,327.2	15,642.5	14,418.7
4. Carry-Out Orders (-)	0.0	0.0	0.0
5. Sales Proceeds	0.0	0.0	0.0
6. Gross Sales (-)	16,327.2	15,642.5	14,418.7
7. Credits & Allowances (-)	-494.8	-932.4	-864.4
8. Net Sales	15,832.4	14,710.051	13,554.3
9. Reimbursable Sales/Other Income	156.2	152.6	155.8
10. Total Revenue	15,988.6	14,862.6	13,710.1

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Revenue and Expenses
Fiscal Year (FY) 2016 Budget Estimates
February 2015
(Dollars in Millions)
FY 2014 - FY 2016

Revenue:	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Gross Sales @ Standard	16,327.2	15,642.5	14,418.7
Operations	16,226.3	15,558.1	14,345.7
Capital Surcharge	39.6	18.7	2.0
Depreciation	61.3	65.6	70.9
Other Income	156.2	152.7	155.8
Refunds/Discounts (-)	-494.8	-932.4	-864.4
Total Income	15,988.6	14,862.8	13,710.1
Adjusted Income			
Total Income (allocated)	15,988.6	14,862.6	13,710.1
Expenses:			
Cost of Materiel Sold from Inventory	14,901.6	12,668.8	11,468.2
Inventory Gains/Losses	-32.2	272.5	249.2
Salaries and Wages:	168.8	182.8	185.1
Military Personnel Costs	13.8	13.4	13.7
Civilian Personnel Compensation	155.0	169.3	171.4
Travel & Transportation of Personnel	4.2	9.0	9.1
Materials & Supplies (For internal use)	0.5	1.4	1.5
Equipment	1.4	4.4	4.5
Other Purchases from Revolving Funds	203.9	220.7	213.5
Transportation of Things	263.1	440.6	452.2
Depreciation - Capital	61.8	65.6	70.9
Printing and Reproduction	0.3	0.5	0.5
Advisory and Assistance Services	3.2	19.9	20.4
Rent, Communication, and Utility	4.3	12.0	12.2
Other Purchased Services	1,318.5	1,009.6	955.8
Total Expenses (System)	16,899.3	14,973.5	13,643.2
Allocated Expenses			
Total Expenses (Allocated)	16,899.3	14,973.5	13,643.2
Operating Results	-910.7	-110.9	66.9
Plus Passthroughs or Other	0.0	0.0	0.0
Other Changes Affecting NOR	-302.2	28.2	44.9
Cash Surcharge	0.0	0.0	0.0
Capital Surcharge	-39.6	-18.7	-2.0
Transfers	-262.5	47.0	47.0
Net Operating Results	-1,212.8	-82.7	111.8
Prior Year AOR	875.6	-337.2	-419.9
Other Changes Affecting AOR (Retained AOR)	0.0	0.0	308.1
Accumulated Operating Results (AOR)	-337.2	-419.9	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2014
(Dollars in Millions)
FY 2014 - FY 2016

Budget Petroleum Data	PROCURED FROM DLA ENERGY			PROCURED BY SERVICE			Stabilized Price
	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	
Petroleum Products							
AVGAS (CONUS) - 130	0.0	\$186.56	\$1.4				
AVGAS (OCONUS) - LL100	0.0	\$685.90	\$16.5				
Diesel Fuel:							
Distillates - F76	12.8	\$146.69	\$1,880.6				
High Sulfur - DF1	0.0	-	\$0.0				
Generic (High Sulfur) - DF2	0.9	\$137.22	\$118.1				
Ultra Low Sulfur - DS1	0.2	\$155.57	\$28.4				
Ultra Low Sulfur - DS2	0.7	\$148.82	\$99.2				
Burner Grade - FS1	0.0	\$159.82	\$7.9				
Burner Grade - FS2	0.2	\$134.44	\$24.4				
Biodiesel - BDI	0.1	\$148.60	\$15.1				
Jet Fuel:							
JP8 & JA1	40.9	\$152.04	\$6,217.3				
JAA	15.1	\$151.13	\$2,279.5				
JP5	9.5	\$152.90	\$1,456.1				
JTS	0.1	\$268.21	\$26.2				
Kerosene - KS1	0.0	\$185.21	\$0.0				
Motor Gasoline:							
Regular, Unleaded - MUR	0.3	\$140.16	\$40.7				
Midgrade, Unleaded - MUM	0.2	\$148.47	\$36.0				
Premium, Unleaded - MUP	0.0	\$169.99	\$1.3				
Gasohol - GUM	0.0	\$155.73	\$1.3				
Ethanol - E85	0.1	\$145.35	\$18.0				
Residual:							
Burner Grade - FS4	0.0	\$105.31	\$1.2				
Residual (Burner Grade) - FS6	0.1	\$84.70	\$11.9				
FOR	0.1	\$56.96	\$3.3				
Bunkers - Marine - MGO	1.8	\$158.98	\$279.0				
Bunkers - Intermediate Grade - 180	0.0	\$114.49	\$5.0				
Intoplane - Jet Fuel - IA1, IAA, IAB	3.9	\$174.39	\$684.5				
Local Purchase Jet Fuel - NA1, NA2	0.8	\$186.79	\$141.7				
Local Purchase Ground Fuel - NLS, NLSA	0.4	\$159.10	\$62.1				
Afghanistan - NNJ	2.7	\$364.52	\$983.7				
Afghanistan - NNF	0.4	\$347.16	\$141.3				
Rounding Factor & Other Products	7.9	\$150.44	\$1,186.6				
TOTAL	99.2	\$152.04	\$15,768.3				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2015
(Dollars in Millions)
FY 2014 - FY 2016

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
AVGAS (CONUS) - 130	0.0	\$177.24	\$1.4				
AVGAS (OCONUS) - LL100	0.0	\$695.52	\$13.2				
Diesel Fuel:							
Distillates - F76	12.0	\$154.98	\$1,856.5				
High Sulfur - DF1	-	\$155.40	\$0.0				
Generic (High Sulfur) - DF2	1.0	\$139.44	\$139.9				
Ultra Low Sulfur - DS1	0.2	\$158.34	\$31.2				
Ultra Low Sulfur - DS2	0.6	\$149.94	\$92.5				
Burner Grade - FS1	0.0	\$151.62	\$6.2				
Burner Grade - FS2	0.2	\$133.56	\$30.3				
Biodiesel - BDI	0.1	\$149.94	\$16.2				
Jet Fuel:							
JP8 & JA1	45.6	\$155.40	\$7,089.2				
JAA	5.4	\$154.56	\$828.8				
JP5	9.3	\$156.66	\$1,455.7				
JTS	0.1	\$241.50	\$21.7				
Kerosene - KS1	0.0	\$153.30	\$0.2				
Motor Gasoline:							
Regular, Unleaded - MUR	0.4	\$151.62	\$58.1				
Midgrade, Unleaded - MUM	0.2	\$160.44	\$38.8				
Premium, Unleaded - MUP	0.0	\$179.34	\$2.2				
Gasohol - GUM	0.0	\$160.44	\$1.6				
Ethanol - E85	0.1	\$151.62	\$15.8				
Residual:							
Burner Grade - FS4	0.0	\$98.28	\$0.4				
Residual (Burner Grade) - FS6	0.2	\$78.12	\$14.4				
FOR	0.1	\$39.90	\$2.4				
Bunkers - Marine - MGO	1.4	\$158.34	\$213.8				
Bunkers - Intermediate Grade - 18	0.0	\$116.76	\$5.5				
Intoplane - Jet Fuel - IAL, IAA, I	3.3	\$177.24	\$593.0				
Local Purchase Jet Fuel - NAL, NA	0.6	\$190.68	\$112.7				
Local Purchase Ground Fuel - NLS,	0.4	\$162.96	\$57.7				
Afghanistan - NNJ	3.1	\$315.00	\$979.7				
Afghanistan - NNF	0.5	\$304.50	\$156.5				
Rounding Factor & Other Products	9.1	N/A	\$768.7				
TOTAL	94.0	\$155.40	\$14,604.0				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2016 Budget Estimates
February 2015
FY 2016
(Dollars in Millions)
FY 2014 - FY 2016

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
AVGAS (CONUS) - 130	0.0	\$164.31	\$1.3				
AVGAS (OCONUS) - LL100	0.0	\$644.77	\$12.3				
Diesel Fuel:							
Distillates - F76	11.9	\$143.67	\$1,709.1				
High Sulfur - DF1	-	\$144.06	\$0.0				
Generic (High Sulfur) - DF2	1.0	\$129.26	\$128.7				
Ultra Low Sulfur - DS1	0.2	\$147.21	\$28.9				
Ultra Low Sulfur - DS2	0.6	\$139.00	\$85.2				
Burner Grade - FS1	0.0	\$140.56	\$5.8				
Burner Grade - FS2	0.2	\$123.81	\$27.9				
Biodiesel - BDI	0.1	\$139.00	\$14.9				
Jet Fuel:							
JP8 & JA1	45.3	\$144.06	\$6,526.4				
JAA	5.3	\$143.28	\$763.0				
JP5	9.2	\$145.23	\$1,340.2				
JTS	0.1	\$223.88	\$19.9				
Kerosene - KS1	0.0	\$142.11	\$0.1				
Motor Gasoline:							
Regular, Unleaded - MUR	0.4	\$140.56	\$53.4				
Midgrade, Unleaded - MUM	0.2	\$148.73	\$35.7				
Premium, Unleaded - MUP	0.0	\$166.25	\$2.0				
Gasohol - GUM	0.0	\$148.73	\$1.5				
Ethanol - E85	0.1	\$140.56	\$14.5				
Residual:							
Burner Grade - FS4	0.0	\$91.11	\$0.4				
Residual (Burner Grade) - FS6	0.2	\$72.42	\$13.3				
FOR	0.1	\$39.90	\$2.4				
Bunkers - Marine - MGO	1.3	\$147.21	\$197.4				
Bunkers - Intermediate Grade - 18	0.0	\$108.24	\$5.1				
Intoplane - Jet Fuel - IAL, IAA, I	3.3	\$146.31	\$486.2				
Local Purchase Jet Fuel - NAL, NA	0.6	\$176.77	\$103.8				
Local Purchase Ground Fuel - NLS,	0.4	\$151.07	\$53.2				
Afghanistan - NNJ	3.1	\$315.00	\$972.7				
Afghanistan - NNF	0.5	\$304.50	\$155.3				
Rounding Factor & Other Products	9.0	N/A	\$684.3				
TOTAL	93.3	\$144.06	\$13,444.5				

**Defense Logistics Agency
Defense Wide Working Capital Fund (DWWCF)
DLA Document Services
Fiscal Year (FY) 2016 Budget Estimates
February 2015**

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.

DLA Document Services manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 144 production facilities.

CUSTOMERS: DLA Document Services' primary customers are Army (19.9 percent), Navy (32.7 percent), Air Force (14.1 percent), Defense Agencies (28.3 percent), and non-DoD customers (5.0 percent). Both appropriated and DWWCF-funded activities are included in each Service's percentage.

BUDGET HIGHLIGHTS

The submission reflects the Department of Navy (DON) DLA Mandatory Print Device Initiative. The DON policy on office document devices - Copiers, Printers, Fax Machines, Scanners and Multi-functional Devices (MFD) Policy was signed by the DON Chief Information Officer (CIO) in January 2013. The policy established DLA Document Services as the single manager for Navy and Marine Corps office document devices. When fully implemented, DLA will manage the approximately 70,000 printing related devices throughout the DON and the USMC.

The submission also reflects DLA Document Services efforts with the National Geospatial-Intelligence Agency (NGA). DLA Document Services developed a maps on-demand capability, enabling on-demand output of NGA maps/charts. This initiative resulted in the transition of bulk printing, warehousing and shipping to remote on-demand output, ultimately providing a cost savings to the Department. The NGA DLA Print on Demand process has reduced print

times from 5-9 weeks to days in most cases, with 80% of all print missions now exploiting Print on Demand. The transition cut the volume of print/replication needed to meet Department of Defense (DoD) requirements by 50% and will save the taxpayer and NGA millions of dollars over the next five years. Maps/charts and CDs/DVDs are being produced at 7 on-demand Document Services' facilities.

Finally, the submission reflects the Navy Supply Systems Command (NAVSUP) decision to transfer the requirements currently accomplished under the Shipboard Multipurpose Copier Program (SMCP) to DLA Document Services. The SMCP provides multipurpose copier devices and production print devices that meet Naval Sea Systems Command certifications for Shipboard use. The program covers all Navy Ship Commands, Submarine Forces Commands, the Military Sealift Command and seagoing units of the Fleet Marine Force. Services include provision of devices, supplies, technical services, parts, device training and logistics support to maintain the devices throughout the fleet.

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. In its most recent available full year survey, the overall satisfaction of 89.8%, with a margin of error of 2%, was below the 93% goal.

2) Quality of Products and Services: This performance metric measures customer satisfaction with quality of finished product as a percentage of customers ranking DLA Document Services quality performance as “satisfied” or “very satisfied.” DLA Document Services uses a survey, professionally prepared and administered by an independent entity, to determine quality of finished product rating. DLA Document Services achieved its goal of 95%, with a weighted overall quality of products and services rating of 93.8%, with a 2% margin of error.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Customer Satisfaction	89.8%	93.0%	93.0%
Quality of Finished Product	93.8%	95.0%	95.0%

UNIT COST AND PRICING

	<u>FY 2014 Goal</u>	<u>FY 2014 Actual</u>
Unit Cost per In-house Production Unit	0.1177	0.1695

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 in-house cost by the total units. DLA Document Services produced 26% less in-house units than planned (764 million actual versus 1,031 million planned); and actual in-house costs were 8% higher than planned (\$131.2 million actual versus \$121.4 million planned). DLA Document Services was not able to reach its goal due to a shift of in-house workload. In addition to declining sales outpacing reduced costs, Document Services is producing more products and services that do not record units.

	<u>FY 2014 Goal</u>	<u>FY 2014 Actual</u>
Composite Customer Rate Change	-0.07%	11.13%

The composite customer rate change is the weighted average of the in-house production unit revenue change and the commercial program revenue change. The in-house production unit revenue change is calculated by dividing in-house revenue by the in-house production units. Commercial program revenue is cost plus. The non-labor inflation rate is used as the price change for the cost plus fixed fee commercial program. The primary driver for the higher than planned composite customer rate change is Document Services is producing more products and services that do not record units.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Unit Cost			
In-House Production	0.1695	0.1738	0.1879
Customer Rate	0.1369	0.1779	0.1762
Composite Customer Rate Change	11.13%	5.65%	-2.17%

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 2014 the Department increased the capitalization threshold to all purchases \$250,000 and greater. The Budget and Accounting NOR reflects assets under \$250,000 being expensed and reflects capital assets being depreciated.

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

DLA Document Services ended FY 2014 with a NOR loss of \$8.9 million against a PB15 goal of a \$5.3 million loss. The lower than goal FY 2014 results are primarily driven by lower than planned sales. The FY 2015 and FY2016 positive NOR is to recover a negative AOR.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Revenue	264.116	333.475	362.300
Cost of Goods Sold	272.975	319.782	359.498
Cash Surcharge			
Capital Surcharge			
Inventory Surcharge			
Other Changes Affecting NOR	0	0	0
Net Operating Results	(8.859)	13.693	2.802
Prior Year Accumulated Operating Results	(15.574)	(16.495)	(2.802)
Non-Recoverable Adjustment Impacting AOR	7.938		
Ending Accumulated Operating Result	(16.495)	(2.802)	0.000
Workload			
In-House Production (Units)	797.3	734.8	710.9

OUTLAYS: The FY 2014 positive net outlay reflects a \$8.9 million NOR loss, a \$7.1 million increase in payables, and a \$11.1 million increase in accounts receivable. The FY 2015 negative net outlays reflect a \$13.7 million NOR gain, a \$7.3 million increase in payables and a \$5.7 million increase in receivables. The FY 2016 negative net outlays reflects a \$2.8 million planned NOR gain to recover a negative AOR, a \$2.2 million increase in accounts payable and a \$3.4 million increase in accounts receivable.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Disbursements	254.107	298.468	358.533
Collections	252.126	317.805	358.878
Appropriations			
Transfers In			
Net Outlays	1.981	(19.337)	(.345)

PERSONNEL: This submission reflects full-time equivalent decreases to bring in-house labor costs in line with decreased in-house workload.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Civilian End Strength	683	713	713
Civilian Full-Time Equivalents	730	703	703

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

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Capital Budget Program			
Equipment (Non-ADPE)	0.000	0.600	0.600
Equipment (ADPE)	0.000	0.665	0.665
Software Development	0.000	2.572	2.572
<u>Minor Construction</u>	<u>0.000</u>	<u>0.312</u>	<u>0.318</u>
Total	0.000	4.149	4.155

SERVICE LEVEL BILLING TO SERVICES

DLA Document Services performs service level billing for both the Electronic Document Access (EDA) and Wide Area Workflow programs. EDA is projected to bill at 25% for each Service plus DLA, while WAWF billing allocation is based on actual transactions.

Electronic Document Access

(\$M)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Army	1.912	3.792	2.750	2.831	2.881	2.968
Navy	1.408	2.654	2.062	2.123	2.195	2.261
Air Force	1.912	3.792	2.750	2.831	2.881	2.968
Marine Corps	0.504	0.948	0.687	0.708	0.823	0.848
DLA	1.912	3.602	2.750	2.831	2.881	2.968
Total	7.648	14.788	10.999	11.324	11.662	12.013

Wide Area Workflow

(\$M)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Army	5.197	3.693	3.877	4.051	4.163	4.200
Navy	4.099	2.935	3.031	3.167	3.271	3.300
Air Force	3.094	2.096	2.256	2.357	2.453	2.500
Marine Corps	0.697	0.449	0.564	0.589	0.669	0.800
DLA	0.000	4.800	4.800	4.800	4.900	5.100
DCMA	4.295	3.109	3.172	3.314	3.420	3.532
Total	17.382	17.082	17.701	18.278	18.876	19.498

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Document Services
Fiscal Year (FY) 2016 Budget Estimates
Changes in the Cost of Operation
(\$ in Millions)

	<u>Cost</u>
FY 14 Actual:	273.0
FY 15 Estimate in President's Budget	380.5
Estimated Impact in FY 15 of Actual	
FY 14 Experience	
Civilian Personnel	(3.0)
Travel of Persons	(0.9)
Material & Supplies	(6.7)
Commercial Equipment Purchases	1.2
Other Purchased Services from Revolving Fund	(13.7)
Transportation of things	(0.2)
Printing and Reproduction	(18.1)
Advisory and Assistance Services	(0.4)
Rent, Communications, Utilities, and Misc	(38.4)
Other Purchased Services	11.1
Depreciation	(0.9)
Pricing Adjustments:	
Annualization of FY 14 Pay Raise	0.0
FY 15 Pay Raise	(0.2)
General Purpose Inflation	(1.7)
Program Changes:	
Civilian Personnel	(0.6)
Travel of Persons	0.5
Material & Supplies	1.8
Commercial Equipment Purchases	(0.3)
Other Purchased Services from Revolving Fund	9.0
Transportation of things	0.1
Printing and Reproduction	16.0
Advisory and Assistance Services	1.7
Rent, Communications, Utilities, and Misc	(18.1)
Other Purchased Services	(0.6)
Depreciation	1.7
FY 15 Current Estimate	319.8
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.1
FY 16 Pay Raise	0.5
General Purpose Inflation	4.2
Program Changes:	
Civilian Personnel	0.0
Travel of Persons	0.1
Material & Supplies	(0.2)
Commercial Equipment Purchases	(0.8)
Other Purchased Services from Revolving Fund	0.6
Transportation of things	0.0
Printing and Reproduction	(2.0)
Advisory and Assistance Services	(0.1)
Rent, Communications, Utilities, and Misc	30.0
Other Purchased Services	8.6
Depreciation	(1.3)
FY 16 Current Estimate	359.5

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Document Services
Fiscal Year (FY) 2016 Budget Estimates
Source of New Orders and Revenue
(\$ in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
1. New Orders			
a. Orders from DoD Components	199.450	240.318	274.533
Department of the Navy	82.061	79.317	124.381
Operations and Maintenance, Navy	50.791	39.509	59.634
Operations and Maintenance, Marine Corps	19.060	21.185	33.167
O&M, Navy Reserve	1.583	2.540	3.423
O&M, Marine Corps Reserve	1.005	0.945	1.490
Aircraft Procurement, Navy	0.455	0.806	0.942
Shipbuilding & Conversion, Navy	0.226	0.129	0.076
Research, Development, Test & Eval, Navy	0.216	0.536	0.567
Military Construction, Navy	0.000	0.031	0.150
Other Navy Appropriations	1.559	2.423	3.353
Credit Card Purchases, Navy	7.166	11.213	21.579
Department of the Army	51.282	66.218	62.793
Army Operation and Maintenance	38.818	46.672	44.259
O&M, Army Reserve	0.399	1.250	1.185
Army National Guard	1.477	1.422	1.348
Army Res, Dev, Test & Eval Accounts	1.290	0.265	0.251
Army Procurement Accounts	0.518	0.824	0.781
Army Other	0.280	1.226	1.163
Credit Card Purchases, Army	8.500	14.559	13.806
Department of the Air Force	31.934	48.226	45.187
Air Force Operation & Maintenance	25.508	37.806	35.425
O&M, Air Force Reserve	0.382	0.510	0.478
Air Force National Guard	0.371	0.697	0.653
Air Force Res, Dev, Test & Eval Accounts	0.383	0.428	0.401
Air Force Procurement Accounts	0.630	0.863	0.808
Air Force Other	0.833	1.648	1.544
Credit Card Purchases, Air Force	3.827	6.274	5.878
DoD Appropriated Accounts	34.173	46.557	42.172
Operation & Maintenance Accounts	13.600	14.336	12.986
Res, Dev, Test & Eval Accounts	0.002	0.042	0.038
Procurement Accounts	0.087	0.101	0.091
Military Construction, Defense	0.003	0.005	0.004
Defense Health Program	15.657	24.903	22.558
DoD Other	0.455	0.595	0.539
Credit Card Purchases, Defense	4.369	6.575	5.956
b. Orders from other Fund Activity Groups	68.143	75.144	76.184
Navy	10.112	13.694	13.884
Army	4.875	1.774	1.798
Air Force	7.663	4.427	4.488
Other DoD	45.493	55.249	56.014
c. Total DoD	267.593	315.462	350.717
d. Other Orders	13.972	16.687	16.210
Other Federal Agencies	13.099	14.713	13.830
Credit Card Purchases	0.699	1.186	1.519
Non-Federal Agencies and Other	0.174	0.788	0.861
Total New Orders	281.565	332.149	366.927
2. Carry-In Orders	50.502	67.951	66.625
3. Total Gross Orders	332.067	400.100	433.552
4. Funded Carry-Over	67.951	66.625	71.252
5. Total Gross Sales	264.116	333.475	362.300

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Document Services
Fiscal Year (FY) 2016 Budget Estimates
Revenue and Cost
(\$ in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Revenue			
Gross Sales	264.116	333.475	362.300
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:	264.116	333.475	362.300
Cost			
Cost of Material Sold from Inventory	0.000	0.000	0.000
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel Compensation & Benefits	57.363	56.124	56.807
Travel & Transportation of Personnel	0.325	0.829	0.894
Materials & Supplies (For Internal Operations)	13.420	17.327	17.432
Equipment Purchases	11.521	10.976	10.365
Other Purchases from Revolving Funds	3.797	8.881	9.644
Transportation of Things	1.759	1.839	1.844
Depreciation - Capital	3.441	4.252	2.931
Printing and Reproduction	46.916	61.566	60.599
Advisory and Assistance Services	0.506	2.250	2.147
Rent, Communications, Utilities, & Misc. Charges	66.192	84.190	115.516
Other Purchased Services	67.735	71.548	81.319
Total Expenses:	272.975	319.782	359.498
Operating Result	(8.859)	13.693	2.802
Net Operating Result	(8.859)	13.693	2.802
Prior Year Adjustments			
Prior Year AOR	(15.574)	(16.495)	(2.802)
Accumulated Operating Result	(24.433)	(2.802)	0.000
Non-Recoverable Adjustment Impacting AOR:			
Deferred Operating Results and Depreciation	7.938		
Accumulated Operating Results for Budget Purposes	(16.495)	(2.802)	0.000

DEFENSE WORKING CAPITAL FUND

DEFENSE-WIDE
FISCAL YEAR (FY) FY 2016
BUDGET ESTIMATES

OPERATING AND CAPITAL BUDGETS



FEBRUARY 2015
CONGRESSIONAL DATA

Defense Finance and Accounting Service



CLEARED
For Open Publication

JAN 26 2015

Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW

Fiscal Year (FY) 2016 Budget Estimates Defense Working Capital Fund (DWCF) President's Budget Submission January 2015

The estimated cost of this report or study for the Department of Defense is approximately \$8,380 for the 2015 Fiscal Year. This includes \$100 in expenses and \$8,280 in DoD labor.
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**Fiscal Year (FY) 2016 Budget Estimates
Defense Finance and Accounting Service
Activity Group: Capital Investment Summary
February 2015
(Dollars in Millions)**

		FY 2014		FY 2015		FY 2016	
Line Number	Item Description	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE Equipment		\$ -		\$ -		\$ -
2	ADPE & Telecom Equip						
2a	- Computer Hardware (Production)		\$ 1.8		\$ 0.4		\$ 0.5
2b	- Computer Hardware (Network)		\$ 7.2		\$ 7.9		\$ 10.0
2c	- Computer Software (Operating System)		\$ -		\$ -		\$ -
2d	- Telecommunications		\$ 4.8		\$ 2.7		\$ 2.8
2e	- Other Support Equipment		\$ -		\$ -		\$ -
3	Software Development						
3a	- Internally Developed		\$ 14.5		\$ 14.4		\$ 3.3
3b	- Externally Developed		\$ 0.3		\$ 6.2		\$ 6.1
4	Minor Construction Capabilities						
4a	- Replacement		\$ -				
4b	- New Construction		\$ 1.0		\$ 1.1		\$ 2.9
4c	- Environmental		\$ -				
	TOTAL OBLIGATIONS		\$ 29.6		\$ 32.7		\$ 25.5
	Total Capital Outlays		\$ 23.8		\$ 31.2		\$ 30.7
	Total Depreciation Expense		\$ 44.9		\$ 48.7		\$ 41.7

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015		C. Line No and Item Description 2 - ADPE and Telecom Equipment 2a - Computer Hardware (Production)					D. Activity Identification A. EDM			
		FY 2014			FY 2015			FY 2016		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
A. Electronic Data Management (EDM)				\$ 477			\$ 400			\$ 500
Narrative Justification: A. EDM provides users the capability to scan, index and process hardcopy and electronic invoices; update invoice status and history; and report statistical data. Three technologies (Imaging, Electronic Folders and Workflow) work together to manage information without paper. FY16 funds provide enhanced capability by upgrading EDM Storage Area Network (SAN) by upgrading end-of-life equipment to newer equipment. FY15 funds provide for the refresh of EDM hardware for the EDM Secure Environment (SE) at DFAS Rome and the EDM SE COOP Site at DFAS Indianapolis.										
ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015		C. Line No and Item Description 2 - ADPE and Telecom Equipment 2b - Computer Hardware (Network)					D. Activity Identification A. ELAN			
		FY 2014			FY 2015			FY 2016		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
A. Enterprise Local Area Network (ELAN)				\$ 6,018			\$ 7,022			\$ 8,250
Narrative Justification: A. ELAN is the primary backbone computing infrastructure for the Agency. Major services include network connectivity, messaging and fax services, collaboration capabilities, remote connectivity, network storage, and application hosting environments to enable DFAS Lines of Business to accomplish their respective missions. FY16 funds will allow for sustainment efforts to ensure that the various services offered by the infrastructure are kept in compliance. This includes equipment replacement scheduled for vendor end-of-service life, upgrades for compatibility, addressing security requirements and satisfying DoD mandates. FY15 funds will focus on hardware refresh of several infrastructure components for sustainment of the assets.										
ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015		C. Line No and Item Description 2 - ADPE and Telecom Equipment 2b - Computer Hardware (Network)					D. Activity Identification B. Security			
		FY 2014			FY 2015			FY 2016		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
B. Security				\$ 1,144			\$ 870			\$ 1,700
Narrative Justification: B. The Security program consists of the Vulnerability Assessment Team (VAT) and Computer Network Defense Service Provider (CNDSP) team. The VAT assesses all DFAS networks, identifying any security weaknesses and recommending actions to minimize or eliminate them to ensure DFAS is kept safe. The CNDSP team performs services such as vulnerability scanning, incident analysis and reporting, external intrusion attempt monitoring and response, secure configuration compliance and implementation of DoD US Cyber Command initiatives. FY16 funds will allow for the enhancements of the current security infrastructure sustainment to ensure that the various services are kept in compliance. FY15 funds will be used for the BlueCoat sustainment project.										
ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015		C. Line No and Item Description 2 - ADPE and Telecom Equipment 2d - Telecommunications					D. Activity Identification A. Unified Communications (UNCOMM)			
		FY 2014			FY 2015			FY 2016		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
A. Unified Communications (UNCOMM)				\$ 4,792			\$ 2,659			\$ 2,750
Narrative Justification: A. UNCOMM provides management, operation and strategy for teleservices initiatives which is a combination of Telephony, Video Conferencing capability, and Call Center functionality. FY16 funds a replacement of VTC hardware and software that will be reaching end-of-service life as well as enhancing the enterprise configuration for the Customer Care Center by providing centrally managed Call Center applications. FY15 funds will upgrade/migrate the Limestone PBX to the standard Avaya hardware as well as allow for a technical refresh of VTC equipment.										

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015			C. Line No and Item Description 3- Software Development 3a - Internally Developed				D. Activity Identification A. MIPR-WF				
			FY 2014			FY 2015			FY 2016		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
A. Military Interdepartmental Purchase Request-Workflow (MIPR-WF)			\$ -			\$ -			\$ 2,500		
Narrative Justification: A. The MIPR-WF will allow the input of MIPR data into a repository and allow sharing of that data between automated systems. It will reduce rework by having one point of data entry for any document and then fully automate the financial handoffs between customer systems and DFAS systems. FY16 funds will allow internal develop of the new capability for this automation effort.											

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015			C. Line No and Item Description 3- Software Development 3a - Internally Developed				D. Activity Identification B. DDS				
			FY 2014			FY 2015			FY 2016		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
B. Deployable Disbursing System (DDS)			\$ 38			\$ 375			\$ 750		
Narrative Justification: B. DDS is the tactical disbursing solution for the Standard Disbursing Initiative (SDI) providing automated disbursing support to the nation's warfighter. DDS supports operations in fluid and remote operations where connectivity is not always possible. It's also used in peacetime disbursing operations in overseas environments enhancing the readiness posture of the military services. FY16 funds will enhance current capabilities for the Services as well as develop new capabilities for Treasury initiatives. FY15 funds will entail Navy system changes, allowing DDS to be used for Navy locations by processing Navy accounting lines within the application.											

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates								
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015			C. Line No and Item Description 3- Software Development 3a - Internally Developed				D. Activity Identification C. BEIS				
			FY 2014			FY 2015			FY 2016		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
C. Business Enterprise Information System (BEIS)			\$ -			\$ 5,880			\$ -		
Narrative Justification: C. The BEIS system provides Defense Agency customers with near real-time access to financial transactions from various source accounting systems in a standardized format with transaction-level postings to the U.S. Standard General Ledger. BEIS performs a data transformation of legacy lines of accounting to standard fiscal code and also consolidates and summarizes the accounting data to provide query and analysis capabilities for Defense Agency customers. The BEIS suite of systems includes Defense Corporate Database/Defense Corporate Warehouse (DCD/DCW); Defense Departmental Reporting System (DDRS) and Defense Cash Accountability System (DCAS). Funds are required in FY15 for two efforts within DCD/DCW: 1) establishment of DCD/DCW as the enterprise-wide, single solution repository for transaction reconciliation of all TI-97 Department-wide reporting and 2) the SFIS/SLOA Centralized Service (SCS) which will provide the capabilities of DCD in conjunction with the data transport capabilities of the DLA Transaction Services DoD Global Exchange (GEX) Gateway to create a new standard software service to provide financial transaction content validation and bidirectional translation between legacy LOA data and the SFIS/SLOA standard.											

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates							
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015		C. Line No and Item Description 3- Software Development 3a - Internally Developed			D. Activity Identification D. ADS				
Element of Cost	Quantity	FY 2014 Unit Cost	Total Cost	Quantity	FY 2015 Unit Cost	Total Cost	FY 2016 Quantity	Unit Cost	Total Cost
D. Automated Disbursing System (ADS)			\$ 2,929			\$ 2,637			\$ -
Narrative Justification:									
D. ADS is an internally developed software system that provides automated disbursing, collections, and accounting functions within DFAS Cleveland and its' geographically separate disbursing offices. ADS is used to disburse commercial, travel, civilian, and military payments; process collections; and report accountability to the U.S. Treasury for DFAS Cleveland and its' customers. FY15 funds will allow for the retirement of the Contractor Debt System (CDS).									

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates							
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015		C. Line No and Item Description 3- Software Development 3a - Internally Developed			D. Activity Identification E. BAM Insourcing				
Element of Cost	Quantity	FY 2014 Unit Cost	Total Cost	Quantity	FY 2015 Unit Cost	Total Cost	FY 2016 Quantity	Unit Cost	Total Cost
E. Business Activity Monitoring (BAM) Insourcing			\$ -			\$ 2,500			\$ -
Narrative Justification:									
E. BAM provides the identification of improper payments. The BAM insourcing effort will allow DFAS to bring this effort in-house based on owning the current source logic and requirements for the workload. FY15 funding is for the software development effort for all of the applicable services and customers currently utilizing the BAM improper payments tool.									

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates							
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015		C. Line No and Item Description 3- Software Development 3a - Internally Developed			D. Activity Identification F. DIFMS				
Element of Cost	Quantity	FY 2014 Unit Cost	Total Cost	Quantity	FY 2015 Unit Cost	Total Cost	FY 2016 Quantity	Unit Cost	Total Cost
F. Defense Industrial Financial Management System (DIFMS)			\$ -			\$ 1,200			\$ -
Narrative Justification:									
F. DIFMS provides core financial systems management, financial reporting, funds control, general ledger management, receipts management, payments management, and cost management functions for Navy, Marine Corp, and Air Force Depot Maintenance activities. The system interfaces with standard DoD systems as well as local unique systems. FY15 funds will enhance the current capability by ensuring formatting for all inbound and outbound interface files will be in SLOA format.									

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates							
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015		C. Line No and Item Description 3- Software Development 3a - Internally Developed			D. Activity Identification Other Software Under \$1,000,000				
Element of Cost	Quantity	FY 2014 Unit Cost	Total Cost	Quantity	FY 2015 Unit Cost	Total Cost	FY 2016 Quantity	Unit Cost	Total Cost
G. myPay			\$ -			\$ 825			\$ -
H. Defense Working Capital Accounting System (DWAS)			\$ -			\$ 522			\$ -
I. Defense Joint Military System - Reserve Component (DJMS-RC)			\$ -			\$ 500			\$ -
Narrative Justification:									
G. myPay provides more than 6.7 million DoD and non-DoD customers worldwide with the ability to view electronic financial documents via the web and mobile devices and to perform certain financial- and personnel-related transactions. FY15 funding will allow the procurement of an Open Financial Exchange (OFX)-compliant software product that will provide DFAS customers the ability to import their tax data from DFAS information systems into tax preparation software (e.g. TurboTax).									
H. DWAS is a working capital fund financial management/accounting system. DWAS is a Commercial Off the Shelf (COTS) system that meets Federal and DoD regulations and requirements. FY15 funding will develop a SLOA compliant Line of Accounting (LOA) to run concurrently in the system with the current LOA.									
I. DJMS-RC provides automated input for reporting and collecting pay information and processing that information through interfaces with customer data bases and accounting. DJMS-RC provides customer/system support for over 1.1 million Army, Air Force and Navy Service members. FY15 funding will support implementation of a systematical proration of Hostile Fire Pay (HFP) or Imminent Danger Pay (IDP) as a monthly entitlement.									

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates					
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015			C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification A. eBiz		
			FY 2014		FY 2015		FY 2016	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Total Cost
A. Electronic Business (eBiz)			\$ -			\$ 3,302		\$ 5,577
Narrative Justification: A. eBiz is a commercial-off-the-shelf (COTS) web-based application providing DFAS with enterprise financial management and resource planning capability. The system includes functionality for timekeeping, US standard general ledger, accounts payable, purchasing, workcounts, cost allocation and reimbursable billing. The system interfaces to DFAS/DoD systems. FY16 funds will allow an upgrade to the eBiz system to incorporate new functionality for the entitlements and contract writing modules to elevate it to an ERP for DFAS. FY15 funding will support the software development costs associated with an upgrade to the eBiz system to incorporate new functionality for Budget Formulation and Treasury Tie-Points modules to elevate it to an Enterprise Resource Planning (ERP) for DFAS.								

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates					
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015			C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification Other Software Under \$1,000,000		
			FY 2014		FY 2015		FY 2016	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Total Cost
B. Wide Area Work Flow (WAWF)			\$ 349			\$ 84		\$ 300
C. Electronic Document Management (EDM)			\$ -			\$ 700		\$ 256
Narrative Justification: B. WAWF is a secure web-based system for electronic invoicing, receipt, and acceptance. WAWF allows vendors to submit and track invoices and receipt/acceptance documents over the web and allows government personnel to process those invoices in a real-time, paperless environment. FY16 funds will support future software releases and engineering change proposals (ECPs) to continue to enhance the current capabilities of the system. FY15 funding will support WAWF Release 5.7 to revise user roles as necessary. C. EDM provides users the capability to scan, index and process hardcopy and electronic invoices; update invoice status and history; and report statistical data. Three technologies (Imaging, Electronic Filing and Workflow) work together to manage information without paper. FY16 funds allow for the development of a new capability for a new EDM scan solution which requires high desktop maintenance and management. FY15 funding will allow coding changes to remain operational on the Oracle 12 platform as support for Oracle 11 expires in July 2015 as well as implement EDM workflow changes as requested by DFAS Columbus Accounting Requirements Director.								

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates					
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015			C. Line No and Item Description 3- Software Development 3b - Externally Developed			D. Activity Identification D. EUD		
			FY 2014		FY 2015		FY 2016	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Total Cost
D. Elimination of Unmatched Disbursements (EUD)			\$ -			\$ 2,118		\$ -
Narrative Justification: D. The EUD system originated in response to a July 1995 U.S. Congressional Mandate (Public Law 103-335, Section 8137), championed by Senator Grassley, prompting the Secretary of Defense to require that Department of Defense (DoD) disbursements be prevalidated. Prevalidation is the process of ensuring that an invoice ready to be disbursed in an entitlement system matches an existing obligation in an accounting system. It confirms that DoD organizations have recorded obligations properly in an official accounting system and reserved (earmarked) sufficient funds in accounting records to cover the proposed disbursement. FY15 funding will support the implementation of SFIS/SLOA requirements to improve financial reporting across DOD allowing revenues and expenses to be reported by programs aligned with DoD goals.								

ACTIVITY GROUP : CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates		
B. Component/Business Area/Date Defense Finance and Accounting Service (DFAS) January 2015	C. Line No and Item Description 4 - Minor Construction Capabilities		D. Activity Identification

Element of Cost	FY 2014			FY 2015			FY 2016		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
4b - New Construction									
A. Columbus			\$ 803			\$ -			\$ 1,440
B. Limestone			\$ -			\$ 360			\$ 730
C. Indianapolis			\$ 185			\$ -			\$ 700
D. Rome			\$ 52			\$ 726			\$ -
Total New Construction			\$ 1,040			\$ 1,086			\$ 2,870

Narrative Justification:

A. Columbus projects in FY16 include Air Handler Controls Improvement, Installation of SAS Card Swipes and HVAC Improvements. The Air Handler Controls Improvement project will replace network control modules, DDC controllers and head end control equipment for 30 air handler control cabinets. The Installation of SAS Card Swipes will be for the first floor doors and elevators to prohibit unescorted visitors from accessing upper floors. The HVAC Improvements will include installation of HVAC pre-heaters, relocation of diffusers and/or additional of diffusers where necessary to disperse the air flow more evenly, and providing localized digital controls to identified problem areas.

B. The Limestone project in FY16 is for a UFC Compliant Mailroom Hardened Wall and HVAC System. In order to become compliant with UFC requirements, a hardened wall will be installed enclosing the mailroom within the warehouse and a first floor support structure to support the second floor mailroom to protect employees outside the mailroom from potential blasts. FY15 project is for a Security Camera System which will install camera's, monitors, servers, and associated equipment.

C. The Indianapolis project in FY16 is for the expansion of a training classroom. This project will expand the capability of 20 classrooms by updating the seating, rooms, and electronic media.

D. The Rome project in FY15 is for a Mass Notification System (MNS) which is required to be integrated with the fire alarm system. The existing fire alarm system and the MNS are not compatible. Upgrading the existing public address system to the current capabilities of the MNS will bring DFAS Rome into compliance with DoD antiterrorism requirements.

No Minor Construction projects exceed the current Military Construction threshold.

**Fiscal Year (FY) 2016 Budget Estimates
 Defense Finance and Accounting Service
 Activity Group: Capital Investment Summary
 February 2015
 (Dollars in Millions)**

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
FY14				
ADPE and Telecom	\$ 15.628	\$ 13.707	\$ (1.921)	Primary decrease in ADPE Network requirements such as ELAN and Security due to additional review and reprioritization of projects since the FY14 PB submittal. This was offset by an increase in ADPE Production for the DMI Alteris contract and execution of carryover for the myPay technical refresh and Customer Care Center requirements that were unable to obligate in prior years.
Software Development	\$ 16.463	\$ 14.876	\$ (1.587)	Decrease due to reprioritization of software projects to support SFIS/SLOA efforts. Additionally, projects originally budgeted in FY14 were deferred due to continued work efforts on prior year projects.
Minor Construction	\$ 1.533	\$ 1.040	\$ (0.493)	Decrease in projects being funded by GSA in Cleveland which were originally budgeted for in DFAS' FY14 PB offset by emerging safety projects at other DFAS Sites.
Total FY14	\$ 33.624	\$ 29.623	\$ (4.001)	
FY 15				
ADPE and Telecom	\$ 20.602	\$ 14.135	\$ (6.467)	Decrease due to reprioritization of ELAN and Teleservices funds to higher priority requirements as well as myPay efforts moving to fee-for-service which will be funded in operating.
Software Development	\$ 11.718	\$ 17.459	\$ 5.741	Increase due to continued efforts for SFIS/SLOA compliancy of various systems and implementation of the eBiz ERP offset by the reprioritization of projects budgeted for in the FY15 PB. Note - an additional \$4.232M of funds have been carried over from prior years into FY15 that will execute in FY15 over the \$17.459M budgeted amount.
Minor Construction	\$ 0.360	\$ 1.086	\$ 0.726	Increase for the Rome Mass Notification project slipping to FY15 based on proper execution of the contract.
Total FY15	\$ 32.680	\$ 32.680	\$ -	
FY 16				
ADPE and Telecom	\$ 13.200	\$ 13.200		
Software Development	\$ 9.383	\$ 9.383		
Minor Construction	\$ 2.870	\$ 2.870		
Total FY16	\$ 25.453	\$ 25.453	\$ -	

**DEFENSE INFORMATION SYSTEMS AGENCY
FISCAL YEAR (FY) 2016
BUDGET ESTIMATES**



**DEFENSE WORKING CAPITAL FUND
INFORMATION SERVICES**

February 2015

Capital Investment Summary
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)

	FY 2014 Quantity	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Total Cost
Non-ADPE Equipment	16.000	\$27.930	12.000	\$37.500	11.000	\$38.250
Replacement Equipment	16.000	\$27.930	12.000	\$37.500	11.000	\$38.250
Facilities Equipment	16.000	\$27.930	12.000	\$37.500	11.000	\$38.250
ADPE & Telecom Equipment Capabilities	0.000	\$0.000	1.000	\$0.500	2.000	\$2.500
Other Support Equipment	0.000	\$0.000	1.000	\$0.500	2.000	\$2.500
Communications	0.000	\$0.000	1.000	\$0.500	2.000	\$2.500
Software Development	4.000	\$7.316	7.000	\$10.100	4.000	\$5.000
Externally Developed Software	4.000	\$7.316	7.000	\$10.100	4.000	\$5.000
Software Development	4.000	\$7.316	7.000	\$10.100	4.000	\$5.000
Minor Construction	4.000	\$1.280	3.000	\$1.500	3.000	\$2.000
New Construction	4.000	\$1.280	3.000	\$1.500	3.000	\$2.000
Minor Construction - Facilities	4.000	\$1.280	3.000	\$1.500	3.000	\$2.000
Total	24.000	\$36.526	23.000	\$49.600	20.000	\$47.750
Total Depreciation Expense		\$16.509		\$21.051		\$28.733
Total Capital Outlays		\$22.518		\$28.926		\$38.683

Computing Services: Capital Investment Justification							A. FY 2016		
(\$ in Thousands)									
B. Computing Services / February 2015				C. CE0300 Non-ADP Equipment			D. Facilities Equipment		
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Facility Equipment	16.00	1,745.63	27,930.00	12.00	3,125.00	37,500.00	9.00	3,477.27	38,250.00

Description and Purpose:
The following table shows the planned Computing Services facility equipment projects:

Site	FY 2015	FY 2016
DECC Mechanicsburg	Generator Replacement	Gaseous Fire Suppression System Mechanical Capacity Upgrade
DECC Montgomery	Chiller Piping Redundancy & Tank Upgrade Cooling Tower Upgrade	
DECC Ogden	Mechanical Electrical Upgrade Gaseous Fire Suppression System	Upgrade Generator Design
DECC Oklahoma City		UPS Expansion
DECC Columbus	Building Automation System Upgrade Gaseous Fire Suppression System	Electrical Capacity Upgrade

DECC St Louis	Gaseous Fire Suppression System Cooling Efficiency & Piping	UPS Module Upgrade
DECC San Antonio	Electrical Capacity Upgrade Design	Electrical Capacity Upgrade
DECC Warner Robbins	Gaseous Fire Suppression System	
DECC Europe		Building Automation System Upgrade

Building automation system upgrades are necessary in order to adequately monitor and control the building environment.

Upgrade/Replacement of Generators as well as UPS Expansion/Upgrade is required to support additional redundancy and future workload growth.

Mechanical Capacity upgrades at Mechanicsburg, as well as the Chiller Piping Redundancy Design and Cooling Tower Upgrade at Montgomery, are for the purpose of increasing cooling system capabilities associated with increased workload

Mechanical Electrical Upgrade will provide redundant utility feeds, transformers, and electrical distribution equipment for the sites' mechanical equipment/systems and bring the site into compliance with facility standards.

Electrical Capacity Upgrade is to provide the latest technology for energy savings, efficiencies, and increase capacity and redundancy to support existing and future critical missions.

Cooling Efficiency & Piping is to meet Tier 3 2N redundancy requirements as part of the Data Center Consolidation initiative

Gaseous Fire Suppression System is to install a gaseous suppression system to supplement the existing traditional fire suppression system.

Current Deficiency and/or Problem:

The computing centers require cyclical upgrades to their infrastructure and plant equipment. These upgrades are necessary to ensure reliability, security and redundancy to support customer workload.

Impact:

If these system and infrastructure investments/requirements are not funded, safety hazards and mission failure may result. Age-related infrastructure and equipment deficiencies can result in unplanned datacenter downtime. Additionally, DISA's ability to provide redundancy to enable 24x7 operations for customers will be jeopardized, resulting in a negative impact on DISA's operational capability, efficiency, and ability to support customers.

Energy Savings:

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

Computing Services: Capital Investment Justification						A. FY 2016			
(\$ in Thousands)									
B. Computing Services / February 2015			C. CE0400 ADPE and Telecommunications			D. Communications			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Communications	0.00	0.00	0.00	1.00	500.00	500.00	2.00	1,250.00	2,500.00

Description and Purpose:

DISA Computing Services provides premiere data processing capability for the DOD, requiring secure, highly available, and high speed network capabilities. DISA currently maintains and upgrades its datacenter communication infrastructure through the use of a services contract that allows for a rapid and flexible response to infrastructure growth and technology changes. However, this capital investment authority will be used to acquire communications hardware not covered by the current communications services contract. It will also be used to comply with the Unified Capabilities Master Plan published by the DoD CIO October 2011.

Current Deficiency and/or Problem:

In order to secure customer systems, hardware is needed to support local firewalls and routing functions which were recently upgraded at the data centers. The upgrades address the Computing Services communications infrastructure that provides access to the production, test/development, and out of band networks. In addition, ever-growing communication capacity requirements at each layer of the DECC enterprise network must be met by either upgrading network assets, or by acquiring new devices. The Communication as a Service contract is planned to address most of general communication device requirements, especially new (tech refresh) devices. However, any existing communication device that was acquired and owned by ESD and retains a technical or financial life, will require an upgrade and is deemed outside the scope of the contract approach (i.e., the contract is a capacity (lease) vehicle and upgrades to government-owned equipment would not meet contract terms and agreements.) This

Capital funding would provide funds in order to upgrade the existing Capital equipment until a time when it can be tech-refreshed using the Communication as a Service contract. Also, to comply with the Unified Capabilities Master Plan published by the DoD CIO

October 2011, IP phones will be needed to be deployed throughout the enterprise to integrate with either the ESD or Network Services (NS) VOIP infrastructure to provide telephone and voice mail services over an IP Network.

Impact:

If DISA is unable to procure and install these devices or upgrade network assets, we will not be able to support new customer requirements. DISA will be unable to support new classified workload if we are unable to support customers' ever growing communication requirements. Some examples of these requirements include increased port capacity requirements across each layer of DECC infrastructure, additional network bandwidth capacity, support of Continuity of Operations (COOP) infrastructures, support of Test and Development environments, requirements for acceptable levels of situational awareness, and better network security posture across DECC enterprise network.

Computing Services: Capital Investment Justification						A. FY 2016			
(\$ in Thousands)									
B. Computing Services / February 2015			C. CV0200 Software Development			D. Software Development			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Software Development	4.00	1,829.00	7,316.00	7.00	1,442.86	10,100.00	4.00	1,250.00	5,000.00

Description and Purpose:

The DISA Computing Services’ mission, as an enterprise computing service provider, is to deliver world-class service at the lowest possible cost that satisfies mission objectives. To accomplish this, we require funding to ensure that the services provided to support customers’ missions are met through processes and systems which provide availability, capacity, continuity and security of the existing systems. Additionally, systems are required to track customer information and ensure service level agreements (SLAs) are met. DISA operates a variety of geographically dispersed mainframes and computing systems which require funding to support the enterprise environment. As technology changes, Standard Operating Environment (SOE) projects require software investments to sustain the most efficient processing environment for the customer at the lowest possible cost.

Included in FY 2016 is software to purchase Access Control List (ACL) management software which is required to manage Access Control Lists (ACL), test the current configurations, analyze traffic flow, and report on security compliance and posture throughout the ESD infrastructure. Also included is a replacement of the existing software which manages Mainframe sharing resources. Also included is software necessary to have the capability to send SPLUNK, SyNAPS and HBSS events to ESD’s existing Netcool Omnibus installation in the production, pre-production and SIPR environments.

Current Deficiency and/or Problem:

Existing software systems risk security vulnerability and may be inadequate to provide the proper assurance of availability and capacity to support the customers’ mission requirements. Therefore, DISA must invest in new software to more efficiently host systems that provide a highly available, secure and robust computing environment and allow for timely and accurate customer billing.

Based on the technical evaluation and the implementation cost, new products will be selected to meet organizational needs. Technical evaluations on mainframe and distributed software products will be conducted throughout the enterprise to avoid functionally equivalent software and the associated duplicative costs.

Impact:

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

Computing Services: Capital Investment Justification							A. FY 2016		
(\$ in Thousands)									
B. Computing Services / February 2015			C. CE0200 Minor Construction - Facilities				D. Minor Construction - Facilities		
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Minor Construction	4.00	320.00	1,280.00	3.00	500.00	1,500.00	3.00	666.67	2,000.00

Description and Purpose:

The following facility enhancements are planned in FY 2015 and FY 2016:

Site	FY 2015	FY 2016
DECC Mechanicsburg	Generator Replacement	
DECC Ogden	Mechanical Electrical Upgrade	
DECC Columbus		Electrical Capacity Upgrade
DECC San Antonio		Electrical Capacity Upgrade

Generator Replacement is required to support additional redundancy and future workload growth.

Mechanical Electrical Upgrade will provide redundant utility feeds, transformers, and electrical distribution equipment for the sites' mechanical equipment/systems and bring the site into compliance with facility standards.

Electrical Capacity Upgrades are to provide the latest technology for energy savings, efficiencies, and increase capacity and redundancy to support existing and future critical missions.

Current Deficiency and/or Problem:

Various facilities are in need of upgrades and renovations in order to meet current standards and support new workload.

Impact:

If these projects are not funded, age-related infrastructure and equipment deficiencies could result in unexpected system failures, placing site personnel at risk and potentially resulting in unnecessary datacenter downtime. DISA's ability to provide a reliable and safe 24/7/365 operational capability may also be jeopardized.

Capital Budget Execution
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2015
(Dollars in Millions)

<u>Fiscal Year</u>	<u>Major Category</u>	<u>Initial Request</u>	<u>Current Proj. Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
FY 2014	Equipment except ADPE and Telecommunications	36.000	27.930	(8.070)	
	Equipment - ADPE and Telecommunications	0.500	0.000	(0.500)	
	Software Development	10.000	7.316	(2.684)	
	Minor Construction	2.675	1.280	(1.395)	
	TOTAL FY 2014	49.175	36.526	(12.649)	Current project cost reflects actual prior year obligations.
FY 2015	Equipment except ADPE and Telecommunications	37.500	37.500	0.000	
	Equipment - ADPE and Telecommunications	0.500	0.500	0.000	
	Software Development	10.100	10.100	0.000	
	Minor Construction	1.500	1.500	0.000	
	TOTAL FY 2015	49.600	49.600	0.000	
FY 2016	Equipment except ADPE and Telecommunications	38.250	38.250	0.000	
	Equipment - ADPE and Telecommunications	2.500	2.500	0.000	
	Software Development	5.000	5.000	0.000	
	Minor Construction	2.000	2.000	0.000	
	TOTAL FY 2016	47.750	47.750	0.000	

Activity Group Capital Investment Summary
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

	FY 2014 Quantity	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Total Cost
Non-ADPE Equipment	0.000	\$0.000	3.000	\$5.800	0.000	\$0.000
DISA CONUS Fit Out	0.000	\$0.000	3.000	\$5.800	0.000	\$0.000
ADPE & Telecom Equipment Capabilities	2.000	\$12.236	3.000	\$5.621	1.000	\$1.007
Other Support Equipment	2.000	\$12.236	3.000	\$5.621	1.000	\$1.007
EMSS Remote Earth Terminal	1.000	\$0.373	0.000	\$0.000	0.000	\$0.000
EMSS FANS	0.000	\$0.000	0.000	\$0.000	1.000	\$1.007
Secure Handset System Upgrade	0.000	\$0.000	1.000	\$2.000	0.000	\$0.000
JHITS Battery Plant Replacement	0.000	\$0.000	1.000	\$0.446	0.000	\$0.000
EMSS Gateway Transformation	1.000	\$11.863	1.000	\$3.175	0.000	\$0.000
Software Development	1.000	\$4.836	2.000	\$27.000	0.000	\$0.000
Externally Developed Software	1.000	\$4.836	2.000	\$27.000	0.000	\$0.000
New Financial System	0.000	\$0.000	1.000	\$25.000	0.000	\$0.000
Traditional Contract Writing System	1.000	\$4.836	1.000	\$2.000	0.000	\$0.000
Minor Construction	0.000	\$0.000	0.000	\$0.000	0.000	\$0.000
Total	3.000	\$17.072	8.000	\$38.421	1.000	\$1.007
Total Depreciation Expense		\$12.822		\$15.292		\$15.823
Total Capital Outlays		\$17.768		\$10.967		\$26.424

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)	A. Fiscal Year 2016
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TS/EAS / February 2015	C. ADPE and Telecom - Equipment	D. JHITS Battery Plant Replacement
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Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
JHITS Battery Plant Replacement	0.00	0.00	0.00	1.00	0.446	0.446	0.00	0.00	0.00
Total	0.00	0.00	0.00	1.00	0.446	0.446	0.00	0.00	0.00

Narrative Justification:

Description and Purpose:
 At each JHITS Switching System site, there is an installed battery plant used to provide backup voltage (-48vdc) to maintain switch operation for 8 hours in the event of loss of commercial power. These battery plants were installed in 1997-1998 during the installation of the HITS program. These batteries have been in continuous operation since that time and are beginning to show signs of aging. For some of the switches, the battery plant is no longer supportable and incapable of operating at the performance levels recommended by the manufacturer. This Government-owned battery plant must be replaced to protect switching equipment and the JHITS switch performance (ten switches) in the event of commercial power outages which occur frequently in Hawaii with higher risks that prevail during the hurricane season from May through November each year.

Current Deficiency and/or Problem:
 The installed batteries supporting the JHITS switching system are classified as Valve-Regulated Lead Acid (VRLA) batteries and are specifically designed for long backup needs of telecommunications applications. They have a specific designed battery life of 20 years with reduced floor space and ventilation requirements when compared to the typical lead acid batteries. The JHITS switching system batteries have significantly degraded and will not support the required load that they were designed for. The original design requirements were for 8 hours capacity to support full switch operation. The actual capacity can't be determined without a full load test. Given the state of the batteries, a load test may be risky and could cause a switch outage and is not recommended. Since most of the batteries at each site are showing significant deterioration, the only action is to replace the entire battery plant. One for one replacement of individual cells is not recommended.

Impact:
 The battery plant provides the first source of backup power for the ten DISA-owned JHITS switches during a commercial power outage. If the batteries fail to hold power to the switches during a commercial power outage, the Government backup generator system (72-hour backup) will not kick in. Once there is a power source denial to the switches, the switch will go down hard with no automatic restoral capabilities. For some of the unmanned switch sites (like Schofield, Fort Shafter, Kaneohe), a switch technician must physically re-boot the switch at the respective switch central office which could take extensive time to implement especially during non-duty hours. Failed power to a switch could also damage the switch equipment and components rendering the switch inoperable and in need of replacement.

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2016			
TS/EAS / February 2015		C. ADPE and Telecom - Equipment				D. Secure Handset System Upgrade			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Secure Handset System Upgrade	0.00	0.00	0.00	1.00	2,000.00	2,000.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	1.00	2,000.00	2,000.00	0.00	0.00	0.00
Narrative Justification:									
Description and Purpose:									
<p>This funding will support the new secure satellite phone that will be needed to replace the obsolete 9505A secure phone which has been off of the commercial market for eight years, yet we continue to support this phone because of the Type I encryption for Secret and Top Secret voice capability that this phone supports. General Dynamics has agreed to support the 9505A, but because the parts are obsolete the phone is extremely expensive to maintain. The EMSS program currently has 29,175 phones today with approximately another 10,000 phones inactive. These phones are critical communications devices for the executive branch, DoD users, and the intelligence community. Added capabilities to the new phone include GPS as well as a personnel location and identification (PLI) "panic button" which once pressed will send an emergency message to the DoD mission management center alerting them that someone is in danger or needs help, a feature that can ultimately save many lives. The out-of-cycle request is needed because the original estimate was based on the NSA allowing the continued use of the Basic Firefly (BFF) encryption algorithm. Based upon guidance received from the NSA in July 2014, we must transition to the Enhanced Firefly (EFF) encryption. This has significantly increased the amount of work that the contractor must perform. Previous estimates were based on the FOSH being an Engineering Change Proposal (ECP) being submitted to the NSA for approval. The EFF algorithm requires a new certification package. The additional level of encryption necessary is estimated to increase the cost by \$2M.</p>									
Current Deficiency and/or Problem:									
<p>The current force phone is over 8 years old and is no longer supported on the commercial market. DoD is paying General Dynamics to support this phone indefinitely, which is cost prohibitive due to the need for parts that have to be specially made since they are no longer in production.</p>									
Impact:									
<p>If the project is not supported, the DoD will lose its ability to provide secure ISM's and ultimately secure voice capability for new handsets. Due to the long lead time, this will impact communications in either the 2016 or 2017 timeframe.</p>									

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)				A. Fiscal Year 2016					
TS/EAS / February 2015	C. ADPE and Telecom - Equipment			D. EMSS Gateway Transformation					
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
EMSS Gateway Transformation	1.00	11,863.00	11,863.00	1.00	3,175.00	3,175.00	0.00	0.00	0.00
Total	1.00	11,863.00	11,863.00	1.00	3,175.00	3,175.00	0.00	0.00	0.00

Narrative Justification:

Description and Purpose:
The Enhanced Mobile Satellite Service (EMSS) provides deployed Warfighters and Partnering Agencies global communications through enhancements to commercial Mobile Satellite Service (MSS) infrastructures. Services provided include voice, data (2.4kbps), paging, and Short Burst Data. Major functions include airtime usage via the Iridium Low Earth Orbit (LEO) constellation, Operations and Maintenance (O&M) of the DoD EMSS Gateway, Customer provisioning, and engineering assistance. In order to ensure continued reliable service the EMSS Gateway is undergoing modernization and upgrades.

Current Deficiency and/or Problem:
Due to the aging EMSS terrestrial architecture, infrastructure and equipment, which has been in service since the commencement of the program, is becoming unsupportable. The current EMSS DoD Gateway was procured to receive traffic from the current Iridium constellation. As Iridium transitions their commercial service to utilize "Iridium NEXT" technology, their commercial gateway architecture must change. Iridium Satellite LLC (ISLLC) has initiated an effort (Iridium NEXT) to replace the aging constellation. To ensure the government's continued ability to receive EMSS/Iridium traffic, the EMSS Gateway will need to be migrated to maintain technical parallel via a series of upgrades designed to maintain full backward compatibility and be fully NEXT compliant. This transformation began in FY 2010 and is expected to continue through FY 2016.

Impact:
If the EMSS Gateway is not transformed to remain compatible with the Iridium commercial gateway, EMSS will not be able to receive critical operational traffic nor provide access to new services offered by Iridium NEXT. Without upgrades to the DoD Gateway infrastructure, end user equipment, encryption devices, and COOP capability will not meet communications needs.

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2016			
TS/EAS / February 2015		C. ADPE and Telecom - Equipment				D. EMSS Future Air Navigation System (FANS)			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Future Air Navigation System	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1,007.00	1,007.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1,007.00	1,007.00

Narrative Justification:

Description and Purpose:
The purpose of the following requirement is to establish the Future Air Navigation System service within the EMSS Gateway. The Enhanced Mobile Satellite Service (EMSS) provides deployed Warfighters and Partnering Agencies global communications through enhancements to commercial Mobile Satellite Service (MSS) infrastructures. Services provided include voice, data, paging, and Short Burst Data. In order to ensure continued reliable service, the EMSS Program Office has developed and is implementing a modernization program for the DOD EMSS Gateway. Additionally, the primary contractor, Iridium Satellite LLC (ISLLC), has initiated an effort (Iridium NEXT) to replace the aging constellation. ISLLC intends to transition the existing Gateways (one commercial, one DoD) to a new architecture via a series of upgrades designed to maintain full backward compatibility, prepare for subsequent upgrades, and be fully NEXT compliant. Future Air Navigation System: FANS Over Iridium (FOI) offers aircraft an assured, cost efficient means, to obtain flight services to include weather, flight plans, aircraft health and aircraft status through Iridium/EMSS Short Burst Data (SBD) devices. Global coverage is provided via the Iridium constellation.

Current Deficiency and/or Problem:
In 2011 the Federal Aviation Administration (FAA) approved and certified FOI as a viable part of the Aircraft Communications Addressing and Reporting System (ACARS). This system provided short message transmissions between aircraft and the ground stations via radio or satellite. ACARS also provides commercial Communications, Navigation, Surveillance/Air Traffic Management (CSN/ATM) compatibility worldwide; flight safety data to include weather, flight plans, aircraft health and status. This has helped aircraft streamline flight routes and cut fuel consumption.

The Air Force Mobility Command (AMC) currently operates ACARS under contract number HC1013-10-D-2002 with the Aeronautical Radio, Incorporated (ARINC). This contract expires 31 August 2016. The ARINC maintains FAA certification to provide ACARS to commercial aircraft. AMC operates on a current waiver to utilize commercial services until a viable solution can be found via government assets. Since EMSS is the only government entity that offers Iridium services, establishing a Future Air Navigation System (FANS) network with ARINC would not only solve AMC's issue but the system could be utilized by all DoD and other government aircraft.

Impact:
Utilizing EMSS allows for 24x7 operations management, performance management and information assurance required by DoD and Federal Government Departments and Agencies. This upgrade to the EMSS infrastructure will enable DISA to provide FOI to DoD and Federal Agencies.

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2016			
TS/EAS / February 2015		C. Software Development				D. Traditional Contract Writing System			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
Traditional Contract Writing System	1.00	4836.00	4836.00	1.00	2,000.00	2,000.00	0.00	0.00	0.00
Total	1.00	4836.00	4836.00	1.00	2,000.00	2,000.00	0.00	0.00	0.00
Narrative Justification:									
Description and Purpose:									
<p>On 24 March 2005, DISA-PLD/DITCO received authorization from the DoD Business Management Modernization Program (BMMP) to replace incongruous and unsupported legacy contracting applications with a modern end-to-end system now called the Integrated Defense Enterprise Acquisition System (IDEAS). The Enterprise Business Modernization (EBM) project was subdivided into telecommunications and traditional contracting and uses an agile methodology to incrementally configure Appian's Inc Business Process Management (BPM) tool to support all procurement functions. IDEAS adheres to the DoD Procurement Data Standard (PDS) and Standard Financial Information Structure (SFIS), has been certified Business Enterprise Architecture (BEA) compliant, and is documented using the Department of Defense Architecture Framework (DoDAF). Receiving its Authority to Operate (ATO) in 3QFY09, IDEAS provided telecommunications contracting capability first. Funding is required to deploy traditional contracting capability which is the next step in the incremental progression towards a fully integrated contract writing system. The traditional contracting solution shall be configured utilizing Appian's BPM tool to provide the flexibility, access controls, and interfaces necessary in providing a streamlined system inclusive of all procurement functions. DISA is currently licensed to configure IDEAS for Telecommunications and Traditional Contracting for 5000 users. IDEAS is a single web-based contract writing system which manages all pre-award, award, and post-award activities. Telecommunications contracting was implemented first and has processed over 19,200 contract actions by 150 contracting specialists and officers, with a life cycle value just over \$1.6B. Traditional contracting is the next step towards replacing costly and unsupported legacy systems, providing the full spectrum of contracting capabilities within a single integrated system, and replacing the Standard Procurement System (SPS) which is scheduled to sunset in FY15.</p>									
Current Deficiency and/or Problem:									
<p>OSD AT&L Department of Defense (DoD) Functional Contract Writing and Administration Capabilities Memo dated 21 October 2011 declared FY 2015 as the end-of-life for the SPS/PD2. Therefore, the EBM/IDEAS Traditional Contract Writing System project must start immediately to be in place before the legacy system sunsets in FY 2015.</p>									
Impact:									
<p>Failure to replace DISA contract writing systems before the sunset of SPS/PD2 will result in an interruption of DISA's ability to contract for essential Information Technology products and services required by DISA's mission partners.</p>									

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)						A. Fiscal Year 2016			
TS/EAS / February 2015		C. Software Development				D. New Financial System			
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
New Financial System	0.00	0.00	0.00	1.00	25,000.00	25,000.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	1.00	25,000.00	25,000.00	0.00	0.00	0.00
Narrative Justification:									
Description and Purpose:									
<p>The purpose of this project is to develop a new TSEAS financial system which will modernize the current FAMIS TSEAS system. The new TSEAS financial system will be fully compatible with the Working Capital Fund-Core system deployed in support of the Computing Services business area and will allow production of an integrated financial statement for the Information Services Activity Group. The new TSEAS financial system is a turn-key solution designed to upgrade from the current version. This solution will support the following application family of products: General Ledger, Accounts Receivable, Accounts Payable, Federal Administration, Project Costing, Project Billing, Project Contracts, Purchasing, and iProcurement. The resulting system will implement Oracle Identity and Access Management (IAM) to interface with EBS to provide Common Access Card (CAC) authentication to the EBS. Both the operational and the back-up environments for this solution will be hosted at DECCs.</p>									
Current Deficiency and/or Problem:									
<p>The Federal Financial Management Integrity Act (FFMIA) of 1996 requires Federal agencies to implement and maintain financial management systems compliant with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. The Office of Management and Budget (OMB) issued Circular 127, Financial Management Systems (revised 1/9/2009), to implement FFMIA and establish specific requirements for Federal financial systems.</p>									
Impact:									
<p>Upon implementation of the new financial system, DISA will be in compliance with the DoD mandated solution for working capital fund accounting & finance, the latest version of Business Enterprise Architecture (BEA), the Financial Management Regulation (FMR), Office of Management and Budget compliance objectives, and other applicable policies, laws and regulations. The current proprietary program will be replaced with a non-proprietary solution, allowing DISA to more freely pursue open competition options in future contractual activities. Many of the manual processes in the current solution will be replaced by automated functions, enhancing user efficiency. It is anticipated that the new TSEAS financial system will provide DISA with the opportunity to improve business processes, increase standardization and identify efficiencies with interfaces that allow for the best use of resources across all areas. It is also anticipated that the new TSEAS financial system will provide capabilities that will reduce manual, off-line efforts necessary to perform functions in the current environment as well as establish standardized cost structures across the DWCF entities providing better visibility of cost and revenue information from an enterprise perspective.</p>									

Telecommunication Services/Enterprise Acquisition Services: Capital Investment Justification (\$ in thousands)				A. Fiscal Year 2016					
TS/EAS / February 2015	C. Non ADPE and Telecom - Equipment			D. Security System for DISA CONUS MILCON facility					
Element of Cost	FY 2014 Quantity	FY 2014 Unit Cost	FY 2014 Total Cost	FY 2015 Quantity	FY 2015 Unit Cost	FY 2015 Total Cost	FY 2016 Quantity	FY 2016 Unit Cost	FY 2016 Total Cost
A/V Suites and Associated Equipment	0.00	0.00	0.00	1	3,400.00	3,400.00	0.00	0.00	0.00
Security System	0.00	0.00	0.00	1	1,800.00	1,800.00	0.00	0.00	0.00
Crypto Gear	0.00	0.00	0.00	1	600.00	600.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	3	1,933.33	5,800.00	0.00	0.00	0.00
Narrative Justification:									
The DISA CONUS mission at Scott AFB is spread between three geographically separated locations. The primary facility for network operations and engineering is located on base in building 3189. Circuit implementations are performed on an off-base leased facility in O'Fallon, IL. The dynamic growth of informational systems to support the global missions of the warfighter have rendered building 3189 an obsolete antiquated facility with a long list of facility deficiencies. A new facility was approved for construction in the FY 2013 MILCON budget for the DoD, and project VDYD597032 was awarded through the Corps of Engineers Louisville District in FY 2013. The project will require the integration of installed equipment to building infrastructure before DISA occupies the building, which is scheduled for completion in January 2016.									
Description and Purpose:									
The purpose of the funds is to provide a security system, network encryptors, and a major audio-visual systems with a wide array of display devices for the various conference and break rooms to support the new DISA CONUS (MILCON) Facility. The building has multiple areas that require special security requirements to meet classified material standards. These systems include a Video Surveillance System (VSS) and an Electronic Security System (ESS). These systems work in conjunction to provide a visual and physical intrusion detection system for the new facility. The audio-visual systems and displays will be used for meetings, conferences, personnel notifications and a variety of other mission needs. The facility also requires KG-175D, TACLANE Inline Network Encryptors (INE) to meet the National Security Agency (NSA) requirements for High Assurance Internet Protocol Encryptor (HAIPE). These devices provide network communications security on Internet Protocol (IP) and Asynchronous Transfer Mode (ATM) networks for the individual user or for enclaves of users at the same security level. These are centrally managed investment items and the facility requires 60 to protect all the circuits at a unit cost of \$10K each.									
Current Deficiency and/or Problem:									
The current facility does not meet the minimum criteria for the Defense Threat Reduction Agency (DTRA). The facility has a failure rating for force protection and is in direct violation of current airfield safety criteria. The facility does not meet the current American Disabilities Act (ADA) requirements and has received low marks from the Inspector General (IG) for quality of life issues. The facility fails to meet minimum standards for structural design to prevent collateral collapse. Single points of failure exist in the HVAC system resulting in the risk of system failures that will directly impact support for the warfighter. Expansion of the airfield over the past 30 years has impacted the current location. The facility operates under airfield waivers. The inadequate stand-off distance from the flightline requires this facility to be vacated or operate under special provisions during airshows and major airfield operations.									
Impact:									
DISA CONUS has evolved into a critical NetOps center, which currently monitors and manages 83% of the DISN bandwidth, 75% of DISN devices, 86% of customer services, and assures 100% of the NIPRNet. In mission scope and volume, DISA CONUS has become a unique and primary host for critical network operations support to National Leaders, Services and Agencies, eleven Combatant Commands, and DISA. The CONUS AOR span of control comprises 645 DISN nodes, 3,280 service locations, all inter-theater connectivity, 15 Network Operation Centers (NOCs), and OPCON of 4 non-collocated NOCs. Without this project, DISA risks losing command and control (C2) of critical elements of the DISA networks. Without this project, the new DISA CONUS facility would not be able to support sensitive spaces and would be vulnerable to outside intrusion to classified documentation.									

Capital Budget Execution
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2015
(Dollars in Millions)

<u>Fiscal Year</u>	<u>Major Category</u>	<u>Initial Request</u>	<u>Current Proj. Cost</u>	<u>Approved Change</u>	<u>Explanation</u>
FY 2014	Equipment - ADPE and Telecommunications	12.623	12.236	(0.387)	
	Software Development	5.000	4.836	(0.164)	
	TOTAL FY 2014	17.623	17.072	(0.551)	Current project cost reflects actual prior year obligations.
FY 2015	Non-ADPE Equipment	0.000	5.800	5.800	Capital required to support the fit out of a new building at Scott AFB, IL. Includes cost for Audio/Visual suites, a security system, and crypto gear.
	Equipment - ADPE and Telecommunications	3.175	5.621	2.446	Pricing for the EMSS secure handset system upgrade has increased primarily due to new encryption requirements (+\$2.000). Also, the battery plant supporting the JHITS switching system requires replacement due to earlier than expected degradation (+\$0.446).
	Software Development	12.384	27.000	14.616	Increase of \$14.616 for the new Working Capital Fund core accounting system
	TOTAL FY 2015	15.559	38.421	22.862	
FY 2016	Equipment - ADPE and Telecommunications	1.007	1.007	0.000	New requirement -- EMSS Future Air Navigation System
	TOTAL FY 2016	1.007	1.007	0.000	

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY CHAIN MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2016 BUDGET ESTIMATES
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY
(\$ IN MILLIONS)

Line Number	Item Description	FY 2014		FY 2015		FY 2016	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
MAT 200-01	Material Handling/Storage Space Utilization - Distribution	10	16.390	13	17.628	10	20.794
IS 200-02	Installation Security - Distribution	3	1.049	1	0.430	0	0.000
IS 200-03	Installation Security - Materiel Supply Chain	2	1.673	1	0.532	6	5.855
MAD 200-04	Material Disposal - Disposition	2	1.507	4	2.900	2	1.600
MAC 200-01	Machinery - Materiel Supply Chain	1	1.269	0	0.000	0	0.000
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	18	21.888	19	21.490	18	28.249
TEL 100	Telecommunications - Materiel Supply Chain	1	1.026	1	3.512	1	3.572
TEL 200	Telecommunications - Distribution	0	0.000	5	6.685	3	5.360
PRD 100	Production Hardware - Materiel Supply Chain	1	3.747	3	7.598	4	8.226
NET 100	Network Hardware - Distribution	1	7.020	2	3.450	1	3.050
NET 200	Network Hardware - Materiel Supply Chain	3	18.112	7	9.751	6	11.841
	<u>TOTAL EQUIPMENT (ADP/T)</u>	6	29.905	18	30.996	15	32.049
SWD 200-01	Supply Chain Management - Enterprise Business System		8.748		18.878		22.617
SWD 200-02	Supply Chain Management - Defense Medical Logistics Standard System		3.245		2.397		2.397
SWD 200-03	Supply Chain Management - DoD EMALL		0.000		5.964		6.065
SWD 200-04	Supply Chain Management - Functional Executive Agent Medical Support		2.378		2.798		2.846
SWD 200-05	Supply Chain Management - Reutilization Business Integration		0.000		0.500		0.000
SWD 200-06	Supply Chain Management - Defense Ready		0.360		0.000		0.000
SWD 300-01	Net-Centric Hubs - Fusion Center		0.000		0.000		0.000
SWD 300-02	Net-Centric Hubs - Enterprise Software		2.744		2.274		0.000
SWD 300-03	Net-Centric Hubs - Asset Visibility		0.000		0.000		0.000
SWD 400-01	Master Data - Federal Logistics Information System		0.000		2.075		0.800
SWD 500-01	Distribution - Radio Frequency Identification		0.000		1.920		1.920
SWD 500-02	Distribution - Distribution Standard System		1.107		1.129		1.145
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		18.582		37.935		37.790
REP 200-01	Minor Construction \$250,000 - \$1,000,000 (Materiel Supply Chain)		3.309		3.076		3.076
REP 200-02	Minor Construction \$250,000 - \$1,000,000 (Distribution)		5.379		9.002		9.002
REP 200-03	Minor Construction \$250,000 - \$1,000,000 (Disposition)		1.569		2.100		2.100
	<u>TOTAL MINOR CONSTRUCTION</u>		10.257		14.178		14.178
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	24	80.632	37	104.599	33	112.266
	Total Capital Outlays		90.156		144.313		147.252
	Total Depreciation Expense		152.643		181.135		184.923

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
MAT 200-01 Non-ADP Equipment

D. Activity Identification
DLA Distribution

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>MAT 200-01</u> Material Handling/Storage Space Utilization	10	1,639	16,390	13	1,356	17,628	10	2,079.4	20,794			

Narrative Justification:

These investments are for material handling equipment, mobile material handling equipment, and miscellaneous warehouse equipment or systems. Equipment is to replace existing items that have reached or exceeded the useful life established for this category. Based on guidance contained in various Department of Defense (DoD) governing policies, Defense Logistics Agency (DLA) has established a replacement and life expectancy/productivity enhancement standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment.

Equipment supports new mission or productivity related projects for which DLA has established policies and procedures to ensure that the ultimate goals of providing cost savings in terms of reduced man-hours to complete mission oriented tasks, new systems or equipment to meet the requirements for attaining DLA strategic goals and modification to enhance safety of the operators or environment. All productivity related projects normally provide a payback of not more than five years and savings to investment ratio of greater than one.

Projects in FY 2015 include container handlers, conveyor system, building storage and racks systems. Projects in FY 2016 include conveyor system, building storage and racks systems

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
IS 200-02 Non-ADP Equipment

D. Activity Identification
DLA Distribution

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>IS 200-01</u> Installation Security	3	349.7	1,049	1	430	430	0	0	0			

Narrative Justification:

This program involves providing installation security related items. Security items include Card Access Control Systems (CACS) for various buildings, a card access system, a closed circuit television system, and fire emergency trucks. Equipment of this type will provide security of the items stored in the depots as well as safety and security for the DLA employees. This equipment is in accordance with security guidance provided by the Department of Defense and in order to rectify identified security deficiencies. This equipment will provide depot security as well as safety and security for DLA Distribution employees. Projects in FY 2015 include Closed Circuit Video @ Norfolk, VA

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
IS 200-03 Non-ADP Equipment

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>IS 200-02</u> Installation Security	2	836.5	1,673	1	532	532	6	975.8	5,855			

Narrative Justification:

This program involves providing installation security related items. Security items include portals, turnstiles, entrance card reader, intrusion, detection devices, and fire emergency trucks. Equipment of this type will provide security of the items stored in the depots as well as safety and security for the DLA employees. This equipment is in accordance with security guidance provided by the Department of Defense and in order to rectify identified security deficiencies.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates		
B. Component/Activity Group/Date Defense Logistics Agency Supply Chain Management Activity Group February 2015					C. Line Number & Item Description MAD 200-04 Non-ADP Equipment					D. Activity Identification DLA Disposition Services		
Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
MAD 200-01 Material Disposal	2	753.5	1,507	4	725	2,900	2	800	1,600			
<p>Narrative Justification:</p> <p>This investment is for scrap/container handlers and Shredders that have reached or exceeded the useful life established for this category. Based on guidance contained in various Department of Defense (DoD) governing polices, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to various categories of equipment.</p>												

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
MAD 200-04 Non-ADP Equipment

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>MAC 200-01</u> Machinery	1	1,269	1,269	0	0	0	0	0	0			

Narrative Justification:

This investment is for a grinder with DLA Aviation at the Industrial Plant Equipment Service Division in Mechanicsburg, PA. The grinder will replace the 2 existing grinders that have reached or exceeded the useful life. With present day technology this grinder can complete several different functions on one machine. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to various categories of equipment.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
TEL 100 Telecommunications Equipment

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>TEL 100</u> Telecommunications	1	1,026	1,026	1	3,512	3,512	1	3,572	3,572			

Narrative Justification:

The investment for telecommunications equipment is in support of DLA Material Supply Chain sites. This equipment will ensure that data transmissions from voice to video are successful. Requirements include telephone switches, Local Area Network (LAN) and Wide Area Network (WAN) upgrades associated with telecommunications hardware, storage solutions, video teleconferencing hardware, and a trunked radio system. The purpose of the enhancements is to install planned improvements and upgrades of Core/Mission Critical telecommunications hardware, cable and middleware. The continued enhancement of the DLA telecommunications infrastructure is essential to the continued improvement of the availability of information and data required for DLA to effectively perform its mission. A Business Case Analysis (BCA) has been performed and submitted for each fiscal year. No specific Cost/savings quantitative analysis was performed for these projects. However, the projects are consistent with the DLA long-term plan for upgrading the DLA telecommunications capabilities.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
TEL 200 Telecommunications Equipment

D. Activity Identification
DLA Distribution

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
TEL 200 Telecommunications	0	0	0	5	1,337	6,685	3	1,786.7	5,360			

Narrative Justification:

The Radio Frequency mission, as specified in DoD 4140.1-R and Defense Reform Initiative Directive (DRID) 48, calls for the ability to read 2D bar codes during the pick operation. The mission relies upon the perpetuation of serial number information throughout the supply chain; suppliers will mark this information on material in the form of 2D bar codes. This work is primarily supported by Radio Frequency equipment. The intent of this action is to survey, design, install, and implement an 802.11b/g/n RF solution for any new site requirements or to supplement new requirements to any current 802.11b/g infrastructure to include the procurement of end user devices, WLAN hardware and infrastructure cabling. No BCA or EA was done. Money is allocated for future requirements that are not yet completely defined. There will be no visual cost savings involved as these projects will be mandated in order to support mission requirements.

Radio Frequency Identification (RFID) mission supports the overall goal of supply chain integration and logistics interoperability and allows for information exchange within and between internal and external business partners. The first phase of the RFID initiative has been deployed and DLA Distribution San Joaquin will be the centerpiece for implementing new pRFID technologies driven by business processes. Phase I projects include fast-track receiving, intra-depot tracking of material, and a real-time-location system in the CCP facility. Negative ROI anticipated until MRO level tagging, Local Delivery initiatives, and auto-receipt processing are more ubiquitous. DLA Distribution J3 estimates annual savings in excess of \$1M with auto-receipt of RDOs alone. The benefit of RFID in Receiving (PRR) is being realized at the DLA Distribution San Joaquin and New Cumberland sites.

**Activity Group Capital Investment Justification
(Dollars in Thousands)**

A. Budget Submission
**Fiscal Year (FY)
2016 Budget
Estimates**

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
PRD 100 Production Hardware

D. Activity Identification
Material Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
PRD 100 Production Hardware	1	3,747	3,747	3	2,532.6	7,598	4	2,056.5	8,226			

Narrative Justification:

The DLA Transaction Services mission is to receive, validate, edit, route, transmit, and archive nearly all unclassified DoD logistic traffic. This mission is accomplished by a collection of systems that are supported by five financial profiles; TRANSSVCS (former DBASE), DDATA, DGATE, EBUS, and IDE. The requirements identified not only provides the DLA Transaction Services' Enterprise Infrastructure, but also provides the necessary components needed for data exchange, storage, facility and security between the DLA Transaction Services profile environments and DLA Transaction Services' diverse external customer base. This infrastructure provides for numerous DLA Transaction Services MAC-I applications such as the DLA Transaction Services Routing Control System (DRCS), Service Oriented Messaging Architecture (SOMA), DLA Transaction Services Micro Automated Routing System (DMARS), Global Exchange (GEX) E-Business Hub, and the Integrated Data Environment (IDE). The identified requirements include the necessary hardware to provide support for 12 DoD level repositories used in the editing, validating, verifying, and routing of logistics data for DoD, other Federal Agencies, the North Atlantic Treaty Organization (NATO), and foreign military sales (FMS) countries. These repositories also support DoD requisition tracking. The above mentioned applications are identified for technical refreshment or augmentation of existing servers that have outgrown their life cycle. These applications are responsible for performing a core, mission critical function, and directly service the vast MQ Series, File Transfer Protocol (FTP) and Simple Mail Transfer Protocol (SMTP) customer base. These applications process over 3.7 Billion logistics transactions per year. The DoD Electronic Business gateway at DLA Transaction Services is a highly reliable "global community services" logistics processing application serving the entire DoD community to include DLA, US Air Force, US Army, US Marine Corps, US Navy, US Coast Guard, the Federal Sector, the Defense Contractor community, International Logistics Communications Systems (ILCS), Foreign Military Sales (FMS) countries, and all DoD logistics customers using DoD and commercial networks. The key component of the E-Business profile is the GEX E-Business Hub. The requirements above include the technical refreshment of the hardware components for GEX and IDE sustainment interfaces, which have been realigned into the DLA Transaction Services core mission. GEX provides EDI data exchange from secure facilities located at DLA Transaction Services. The GEXs are connected via the Non-classified Internet Protocol Router Network (NIPRNET). The NIPRNET provides the communications backbone for Electronic Commerce Infrastructure (ECI). The NIPRNET is part of the Defense Information System Network (DISN) and is managed by DISA. The impact of not replacing these hardware platforms will lead to degradation of services, leading to mission failure.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
NET 100 Network Hardware

D. Activity Identification
DLA Distribution

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>NET 100</u> Network Hardware	1	7,020	7,020	2	1,725	3,450	1	3,050	3,050			

Narrative Justification:

The investment for Local Area Network (LAN) upgrades and Wide Area Network (WAN) of DLA Distribution depots to include hardware and infrastructure cabling. There are also LAN installation requirements to establish DLA network enclave connectivity supporting the IMSP program and the DLA Distribution Navy Warehouse Transfer initiative. Upgrades are planned for DLA Distribution throughout various depots location.

Due to changing and or insufficient requirements for the various locations, no Business Case Analysis (BCA) or Economic Analysis (EA) was performed.

Incomplete knowledge of the existing infrastructure and until these transfers are completed and actual requirements identified, no savings/cost avoidance should result from the purchase.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
NET 200 Network Hardware

D. Activity Identification
Material Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>NET 200</u> Network Hardware	3	6,037.3	18,112	7	1,393	9,751	6	1,973.5	11,841			

Narrative Justification:

The investment for Local Area Network (LAN) upgrades and Wide Area Network (WAN) of DLA Material Supply Chain site. The LAN Upgrade is a directed action and is required to maintain and improve the current level of support to customers. A robust LAN is required to support the DLA mission as well as meet DLA technology goals and initiatives. The goals of the upgrade are to reduce procurement lead times, design and implement a best value enterprise IT environment, continue to maintain the current IT environment while supporting operational issues, mandated changes and system enhancements and improve customer response time for services and materiel. There is approximately \$17.5M in productivity savings (discounted to \$11.2M) accruing to the LAN not going down on an abnormal basis. This figure is reasonable since the benefits stream is capturing the fact that the LAN is critical IT infrastructure that must be in place to allow the mission of the agency to be fulfilled. In addition to the quantitative benefits, the LAN Upgrade is qualitatively consistent with current IT policy. The improved reliability and additional technological robustness of the LAN will support DLA agency wide business plans and goals. The purpose of the enhancements is to install planned improvements and upgrades of Core/Mission Critical LAN hardware, cable and middleware. The continued enhancement of the DLA LAN infrastructure is essential to the continued improvement of the availability of information and data required for DLA to effectively perform its mission. No specific Cost/savings quantitative analysis was performed for these projects. However, the projects are consistent with the DLA long-term plan for upgrading the DLA LAN capabilities.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 200-01 Software Development \$1.0 and Over

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 200-01 Enterprise Business System (EBS)			8,748			18,878			22,617			

Narrative Justification:

The continuous modernization and refinement of EBS through process and technical improvements are critical to the Agency's supply chain management capability. The DLA EBS links the entire supply chain from the time a warfighter places an order to the time that order is fulfilled. EBS enables DLA employees to take information on stock that is stored at military supply storage and distribution sites and turn that information into an actionable document called a supply plan that is used by buyers to procure products. The EBS ERP allows over 17,000 users and DLA customers to process supply queries online, place orders, improve delivery time, have automated product data information and give commanders immediate access to stock information. In addition to business process reengineering opportunities for EBS, DLA is actively addressing Audit Readiness (AR) requirements conveyed in the DoD Financial Improvement and Audit Readiness (FIAR) Plan, including Federal Information System Controls Audit Manual and Federal Financial Management Improvement Act driven efforts. The plan sets milestones for resolving problems affecting the accuracy, reliability, and timeliness of financial information on which good financial decisions depend. DLA is committed to meeting the DoD FIAR Plan timelines and objectives, including auditable financial statements. The AR effort requires development of new processes, controls, and systems supporting information most often used to increase accuracy and efficiency. In support of AR, EBS is implementing SAP HANA Side Car, which enables the processing of massive quantities of data, providing immediate results from analysis and transactions in near real time. EBS is also incorporating the Army's Depot Level Repairable (DLR) procurement process into the existing EBS DLR process currently leveraged by the Marines. Additionally, DLA is reviewing legacy applications to assess and prioritize the suitability for migration into EBS. We anticipate that these efforts will increase efficiency, reduce operating costs, and improve stakeholder satisfaction.

**Activity Group Capital Investment Justification
(Dollars in Thousands)**

**A. Budget Submission
Fiscal Year (FY) 2016
Budget Estimates**

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 200-02 Software Development \$1.0 and
Over

**D. Activity
Identification**
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 200-02 Defense Medical Logistics Standard Support (DMLSS) Wholesale			3,245			2,397			2,397			

Narrative Justification:
The Defense Medical Logistics Standard Support-Wholesale (DMLSS-W) is an integrated system supporting the medical logistics needs of the Services and the Warfighter. The program directly funds the business process improvements and Management Information System (MIS) enhancements at DLA Troop Support with benefits and savings cascading throughout the entire DoD medical logistics supply chain. In FY 2015 - 2016 the program will continue software re-engineering improvements to the DMLSS-W applications in support of the Defense Medical Logistics Enterprise System (DML-ES) Authoritative Source Initiative and associated business processes. The re-engineering of existing capabilities in the Readiness IT Domain will replace outdated technologies and provide expanded customer capabilities to better support the Readiness landscape of users including Combatant Commands, Services and DLA Troop Support Medical Readiness Planners and Acquisition Specialists. New Data Management capabilities will be developed providing improved NSN intelligence needed to support Readiness Planning and Management by the Services and linking customers to on-demand Recommended Products of Choice and the best current price under all contractual vehicles in both Peacetime and Readiness. Reengineered Contingency Contracts Management functionality will enable data to be updated on a daily rather than monthly basis and will generate supply chain supply efficiencies, by reducing requirements for redundant sourcing contracts and leveraging volume discounts. To support unique Prime Vendor and Web Based Ordering Processes, DMLSS-W will continue to build out the core functionalities of the Medical Master Catalog (MMC) including product validation and verification services. These services will be consumed by enterprise applications that are the entry points for product and price data entering the enterprise. These applications will be reengineered to replace existing component validation with a set of MMC services and modules that will enforce enterprise product centric business rules. This modernization will provide customers with more complete, accurate and more standardized medical products catalog and greater opportunities to recognize significant cost savings. Business Intelligence tools will be developed to support the calculation of Enterprise Metrics to support the DLA/Defense Health Agency (DHA) Performance Based Agreement (PBA) empowering DHA/DLA and the Services to accurately gauge, assess and adjust the Medical Acquisition Program to support best value decisions and reduce material costs. The continued development of workflow processes will support Product Sourcing Request (PSR) integration into the DMLSS-Retail system. The DAPA Management System (DMS) will add functionality to adapt to changes in the routing of PSRs, improving customer's fulfillment of requests for new items.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 200-03 Software Development \$1.0 and
Over

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>SWD 200-03</u> DOD EMALL			0			5,964			6,065			

Narrative Justification:

The DOD EMALL is a web-based government procurement application designed to allow users to search or browse for commercial and government off-the-shelf products and services through a single interface, and purchase those products or services online. It fulfills Section 332 of the Fiscal Year 1999 DOD Authorization Act, Public Law 105-261, Title III, Subtitle D, October 17, 1998 which called for a single point of access for DOD ordering on the internet as part of its overall Electronic Commerce implementation. DLA's goal is a technology refresh to this legacy system, resulting in a modern non-proprietary e-Commerce solution. The DLA goal is to develop a modern ecommerce system with technology enhancements that will be an industry leading commercial solution. DLA plans to move to a modern e-commerce system for DOD, Federal, state, and authorized local agencies. For example, DLA has partnered with the General Services Administration (GSA) Federal Acquisition Service to develop a single Government Electronic Mall to provide one-stop shopping for GSA and DOD customers. The e-commerce solution is expected to provide the government with a cost effective way to address current and future user needs by providing industry best practices, enhanced system performance, flexibility, and scalability. The combined e-commerce platform and government-wide e-commerce solution will support this DLA-GSA effort and may become a Federal Mall, or FedMall. If not funded, DLA will be required to continue funding multiple legacy sustainment contracts beyond expectations of the current system's budget.

In FY2015, DOD EMALL will award a development task order to implement the enhancements required to transform the legacy platform into a true e-commerce solution. Enhancements include, but are not limited to; a first class Commercial-Off-The-Shelf (COTS) search engine, improved product pages complete with images and detailed descriptions, FEDSTRIP payment option, improved catalog hosting site, clause logic for vendor terms and conditions, dynamic pricing, reverse auctions, mobile capability, and DLMS compliance. The new platform will implement Funds Control Modules (FCMs) for the United States Air Force, Navy, and Marine Corps, and will also improve the functionality of the current Army FCM. Bi-directional transactions between FedMall and the Service systems must be routed through DLA Transaction Services Global Exchange. Having these funds verification measures in place for all DOD Service transactions is a major step toward audit readiness compliance. In FY 2016, follow-on enhancements to support OSD DPAP and other customer requirements will be implemented to complete the Single Mall CONOPS, and Defense Logistics Management System compliance efforts before the FY2019 deadline.

**Activity Group Capital Investment Justification
(Dollars in Thousands)**

A. Budget Submission
**Fiscal Year (FY)
2016 Budget
Estimates**

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 200-04 Software Development \$1.0 and
Over

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 200-04 Functional Executive Agent Medical Support (FEAMS)			2,378			2,798			2,846			

Narrative Justification:

The Functional Executive Agent Medical Support (FEAMS) program is chartered to support the Defense Medical Logistics Proponent Committee (DMLPC) and Defense Medical Logistics Supply Chain Council (DMLSCC) to develop and/or orchestrate Doctrine, Organization, Training, Materiel, Leadership, Education, Personnel, and Facilities (DOTMLPF) solutions to enable enterprise transformation and implement solutions to Joint Medical Logistics and Infrastructure Support (JMLIS) requirements capability gaps identified in the Joint Force Health Protection (JFHP) Initial Capability Document (ICD). Supporting its chartered mission through FY15 investment, FEAMS will work to enable Medical Contingency Requirements Workflow (MCRW) Release 3 (R3) capability to provide the Services functionality to simulate wartime scenarios and inform users on the Defense Medical Logistics (DML) supply chain's ability to support their mission planning requirements. FEAMS will also leverage all of the medical logistics data aggregated through MCRW to begin to develop materiel business intelligence dashboard and National Stock Number (NSN) commonality indices for Service Assemblages (distinguished by Roles of Care). Using this data, Service Combat and Materiel developers will be able to review obsolete and inefficient materiel in existing Service assemblages and identify cost-effective replacement alternatives supported by DLA. FEAMS will also continue to work to facilitate more efficient and expedient Service MCRW adoption by enabling more effective training artifacts and tools. Through its FY16 investment, FEAMS will continue to expand MCRW utility to the Defense Medical Logistics (DML) medical planning community by enabling a cross Service, clinical, subject-matter-based workflow to manage current and modernized versions of Joint Task Time Treater (JTTC) and Joint product data. Using this capability and MCRW metrics dashboard, FEAMS will assist the Services Assemblage Life Cycle Management (ALCM) community ability to analyze clinical efficacy and logistical procurability of current assemblies. Additionally, using its FY15 and FY16 investment, FEAMS will continue to leverage its Information Management / Information Technology (IM/IT) capabilities to further drive Medical enterprise transformation by providing management visibility of key measurement points across the end-to-end business process for contingency outfitting and materiel sustainment and to develop additional supply chain measurement metrics that drive Service behavior to Service medical products standardization across institutional facilities and operational/contingency operations. The FEAMS Business Case, which was reviewed and approved by DLA J8 on 6 MAR 2012, identified potential cost avoidances for DLA and the Services' Medical Logistics Supply Chain of \$124M over the effective life FY 2012 - FY 2022. FEAMS capabilities have strong customer advocacy and will significantly enhance DLA support to the Warfighter.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 200-05 Software Development \$1.0 and Over

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>SWD 200-05</u> Reutilization Business Integration (RBI)			0			500			0			

Narrative Justification:

Reutilization Business Integration (RBI) integrated the DLA Disposition Services Automated Information System (DAISY) suite of applications with DLA Enterprise Business Systems. RBI leveraged existing GOTS/COTS within the current DLA Enterprise to include Enterprise Business System (EBS), Distribution Standard System (DSS), and DLA Transaction Services systems. The selected Information Technology (IT) portfolio solution provided the most efficient and flexible solution to manage the DLA Disposition Services business area.

Program is now in sustainment.

Activity Group Capital Investment Justification (Dollars in Thousands)	A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates
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B. Component/Activity Group/Date Defense Logistics Agency Supply Chain Management Activity Group February 2015	C. Line Number & Item Description SWD 300-01 Software Development \$1.0 and Over	D. Activity Identification Materiel Supply Chain
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Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>SWD 200-06</u> Defense Ready			360			0			0			

Narrative Justification:
 The Defense Logistics Agency is primarily a civilian organization, however as an essential Defense Department partner, many key management positions are filled by military members on assignment from their respective branches of service. Deploying the Defense Ready as the DLA Enterprise Military Personnel enables joint military Human Resources (HR) management and resources to provide a Common Operating Picture (COP) for multiple platforms related to military data management. Defense Ready enables HR to facilitate joint military HR management, and to track and manage all encumbered and unencumbered billets for military personnel assigned to the agency. The DLA Military Personnel Office will utilize Defense Ready to forecast vacancies, coordinate with the services on assignment requirements, initiate and track requisitions, and facilitate on-boarding for the service members performing rotational assignments throughout the year. Once on-board, Defense Ready will provide the DLA Military Personnel Office with functionality to support performance management, awards and decorations, and other joint military HR focus areas during their tenure with the agency. This includes suspense communications with the service member and their assigned organization management. DLA will be able to respond to data-calls and reporting requests with accurate, reliable and timely Military Personnel data. The Defense Ready tool will provide for recurring interface files to support the DLA Learning Management System (LMS) to track mandatory training and for the new standard manpower system to be implemented by DoD. Once fully operational, Defense Ready will provide for the efficient, timely and accurate processing of military personnel in DLA. This will reduce systems costs through legacy system retirement; provide efficiencies to military HR personnel processes and compliance with Information Assurance and Cyber Security policies.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 300-01 Software Development \$1.0 and
Over

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 300-01 Net-Centric Hubs Fusion Center			0			0			0			

Narrative Justification:

The DLA CIO in 2013 directed that the Fusion Center data and functionality be incorporated into EBS. Aside from sustainment and maintenance actions, until the move to EBS takes place, work is restricted to break-fix, audit readiness and DLA Director Initiatives.

No new development is planned outside of Fusion's incorporation into EBS.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 300-02 Software Development

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 300-02 Net Centric Hubs DLA Transaction Services Enterprise Software			2,744			2,274			0			

Narrative Justification:

The DLA Transaction Services mission is to receive, validate, edit, route, transmit, and archive nearly all unclassified DoD logistics traffic. This mission is accomplished by a collection of systems that are supported by five financial profiles; TRANSSVCS(former DBASE), DDATA, DGATE, EBUS, and IDE. The requirements identified not only provides the DLA Transaction Services Enterprise Infrastructure with the necessary software required for the platforms, but also provides the necessary software for components needed for data exchange, storage, facility and security between the DLA Transaction Services profile environments and DLA Transaction Services' diverse external customer base. This infrastructure provides for numerous DLA Transaction Services MAC-I applications such as the DLA Transaction Services Routing Control System (DRCS), Service Oriented Messaging Architecture (SOMA), DLA Transaction Services Micro Automated Routing System (DMARS), Global Exchange (GEX) E-Business Hub, and Integrated Data Environment (IDE). The above mentioned DRCS and SOMA applications are identified for technical refreshment of existing software for servers which have outgrown their life cycle. These applications are responsible for performing a core mission critical function, and directly service the vast MQ Series, File Transfer Protocol (FTP) and Simple Mail Transfer Protocol (SMTP) customer base. These applications process over 3.7 Billion logistics transactions per year. The DoD Electronic Business gateway at DLA Transaction Services is a highly reliable "global community services" logistics processing application serving the entire DoD community to include DLA, US Air Force, US Army, US Marine Corps, US Navy, US Coast Guard, the Federal Sector, the Defense Contractor community, International Logistics Communications Systems (ILCS), Foreign Military Sales (FMS) countries, and all DoD logistics customers using DoD and commercial networks. The key component of the E-Business profile is the GEX E-Business Hub. The requirements above include the technical refreshment and augmentation of the software for hardware components for GEX and IDE sustainment interfaces, which have been realigned into the DLA Transaction Services core mission. GEX provides EDI data exchange from secure facilities located at DLA Transaction Services. The GEXs are connected via the Non-classified Internet Protocol Router Network (NIPRNET). The NIPRNET provides the communications backbone for Electronic Commerce Infrastructure (ECI). The NIPRNET is part of the Defense Information System Network (DISN) and is managed by DISA. The impact of not purchasing the identified software development support and replacing the identified software will lead to inability to use hardware equipment, which will lead to degradation of services leading to mission failure.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 300-03 Software Development

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2013			FY 2014			FY 2015			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 300-03 Net Centric Hubs Asset Visibility			0			0			0			

Narrative Justification:

Asset Visibility (AV) is a joint logistics capability that collects and fuses information from multiple DLA, TRANSCOM, GSA, and Military Service systems, providing Combatant Commands (COCOMs), Military Services, DLA, and Joint Task Forces with timely and accurate information including location, movement, status, and identity of units, personnel, equipment, and supplies. AV also provides vital logistics information to consuming systems managed by the Army, Navy, and DISA. AV is the Department's System of Record for asset visibility; however, whether users are interested in viewing inventory, requisition, or in-transit/in-theatre information at the detailed or summary level, the powerful data query and reporting capability built into the web-based AV application is designed to satisfy both needs, built using COTS tools. The Joint Staff J4 and DLA Logistics Operations are the AV functional sponsors.

In FY12 a directive came out of the Distribution Process Owner Executive Board (DEB) to consolidate distribution-related In-Transit Visibility (ITV) and Asset Visibility IT systems eliminating duplication and overlap in Information Technology (IT) system capability to ensure the greatest possible support to the warfighter. As a result AV began efforts to "sunset" and be subsumed by the Integrated Data Environment (IDE)/ Global Transportation Network (GTN) Convergence (IGC).

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates		
B. Component/Activity Group/Date Defense Logistics Agency Supply Chain Management Activity Group February 2015				C. Line Number & Item Description SWD 400-01 Software Development \$1.0 and Over						D. Activity Identification Materiel Supply Chain		
Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 400-01 Master Data Federal Logistics Information System Portfolio			0			2,075			800			
<p>Narrative Justification:</p> <p>The Federal Logistics Information System (FLIS) Portfolio is comprised of the FLIS, the FLIS Portfolio Workbench (FPW), the FLIS Portfolio Data Warehouse (FPDW), and other applications such as WebFLIS, Universal Data Repository (UDR) and the Military Engineering Data Asset Locator System (MEDALS). FLIS is identified as the authoritative source system to broadcast the logistics data for numerous processes that support DoD ERP implementations and many legacy systems. The FPW was designed as a universal, catalog input and work-flow tool as a result of cataloging consolidation. The FPW also performs Supply Support Request (SSR) processing for DLA managed items. The FPDW provides DoD Master Data for Item (FLIS), Vendor (CAGE/SAM), and Customer (DoDAAC/MAPAD) data to the DoD. The FPDW acts as the authoritative distribution source for this master data. The FLIS Portfolio is migrating and or designing new capabilities in WebMethods.</p> <p>In FY15 and FY16 the FLIS Portfolio plans to design further capabilities into the FPDW and FPW. Those capabilities include DoD collaboration. Currently collaboration is done with legacy processes and tools and is not automated into cataloging (item identification maintenance). The other area of focus is on is the current item identification taxonomy (specifically the Federal Supply Class (FSC) structure) in FLIS which needs to be redesigned to account for complex relationships that support the supply chain of the 21st century.</p>												

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates		
B. Component/Activity Group/Date Defense Logistics Agency Supply Chain Management Activity Group February 2015				C. Line Number & Item Description SWD 500-01 Software Development Less Than \$1.0						D. Activity Identification DLA Distribution		
Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>SWD 500-01</u> Radio Frequency Identification			0			1,920			1,920			
<p>Narrative Justification: Radio Frequency Identification (RFID) supports the overall goal of supply chain integration and logistics interoperability and allows for information exchange within and between internal and external business partners. As the RFID function develops, it is anticipated to expand into picking, packing, storage, and shipping sections as well. Therefore additional funding for software has been requested for middleware that can provide data monitoring and management, device monitoring and management, and application development tools as well as for System Change Requests to develop modifications to DSS to support RFID functionality. As passive RFID technology is further ingrained in our supply chain, the criticality of its software performance and increased capabilities becomes greatly important. Investment in the continued implementation and development of this essential component of the RFID package facilitates the benefit of this technology to DLA Distribution's customers and used as a main metrics indicator to the Receiving process of DLA Distribution.</p> <p>Economic analysis is under consideration by DLA Logistics Operations; the completion/release date is not known at this time. Negative ROI anticipated until MRO level tagging, Local Delivery initiatives, and auto-receipt processing are more ubiquitous. PRR is part of our tag to stow initiative. A positive ROI will take a few years, but additional savings may be found from other site to site problems. Lost materials will be an eventual finding where large dollars will be saved in man hours and money.</p> <p>DLA Distribution J-3 estimates annual savings in excess of \$1M with auto-receipt of RDOs alone. The benefit of RFID in Receiving (PRR) is being realized at the 18 of the DLA Distribution sites including San Joaquin and DLA Distribution New Cumberland.</p>												

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
SWD 500-02 Software Development \$1.0 and Over

D. Activity Identification
DLA Distribution

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>SWD 500-02</u> Distribution Standard System (DSS)			1,107			1,129			1,145			

Narrative Justification:

Funding will support Request for Change (RFCs) for Audit Readiness, process improvements, technology upgrades and capability improvement for future critical DSS initiatives and business requirements.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
REP 200-01 Minor Construction

D. Activity Identification
Materiel Supply Chain

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>REP 200-01</u> Minor Construction			3,309			3,076			3,076			

Narrative Justification:

The minor construction investment for projects (costing between \$250,000 and \$1,000,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance, increase the level of protection of the workforce, and the mission stock. These projects include:

1. Renovation and alteration of administrative facilities.
2. Upgrades to utility systems to comply with environmental and fire protection standards.
3. Additional paving for road networks and personnel parking to comply with the new AT/FP standoff distances.
4. Incidental improvements associated with facilities repair projects.

All of these projects are required to allow existing missions to continue in safe, compliant and efficient facilities.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
REP 200-02 Minor Construction

D. Activity Identification
DLA Distribution

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
REP 200-02 Minor Construction			5,379			9,002			9,002			

Narrative Justification:

The minor construction investment for projects (costing between \$250,000 and \$1,000,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:

1. Installing and upgrading fire suppression and alarm systems to meet current code requirements.
2. Upgrading security facilities (gates, fences, and lighting) to meet current Anti-Terrorism/Force Protection standards.
3. Adding new and improving areas for open storage, road networks and operational areas.
4. Altering facilities to accommodate mission changes, consolidation and stock repositioning.
5. Improvements to utilities to enhance reliability.
6. Incidental improvements associated with facilities repair projects.
7. Replacement of existing facilities that cannot be economically repaired.
8. Installing generators to provide backup power to support cold chain management of medical items.

These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the distribution mission. Pre-investment analysis is required for all capital projects.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Supply Chain Management Activity Group
February 2015

C. Line Number & Item Description
REP 200-03 Minor Construction

D. Activity Identification
DLA Disposition Services

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>REP 200-03</u> Minor Construction			1,569			2,100			2,100			

Narrative Justification:

The minor construction investment for projects (costing between \$250,000 and \$1,000,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:

1. Adding paving for open storage, road networks and operational areas.
2. Altering facilities to accommodate mission changes, consolidation, and relocation.
3. Improvements to warehouse, administrative, and demilitarization facilities to increase employee safety and comfort.
4. Replacement of facilities that cannot be economically repaired.
5. Incidental improvements associated with facilities repair projects.

These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the DLA Disposition Services mission.

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY CHAIN MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2016 BUDGET ESTIMATES
CAPITAL BUDGET EXECUTION
February 2015
(DOLLARS IN MILLIONS)

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	19.966	26.961	6.995	Funds reprogrammed from DLA Energy in support of increasing of equipment projects
ADPE & TELCOM Equipment:	28.897	54.263	25.366	Funds reprogrammed in support of increasing of equipment project
Software Development:	83.625	51.669	(31.956)	Decrease of functionality in DLA software development program. Funds reprogrammed to support other capital categories
Minor Construction:	14.323	16.039	1.716	Funds reprogrammed from DLA Energy in support of increasing of equipment projects
Total FY 2014	146.811	148.932	2.121	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	21.735	21.490	(0.245)	Decrease in project cost
ADPE & TELCOM Equipment:	30.996	30.996	0.000	
Software Development:	37.935	37.935	0.000	
Minor Construction:	14.178	14.178	0.000	
Total FY 2015	104.844	104.599	(0.245)	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	28.249	28.249	0.000	
ADPE & TELCOM Equipment:	32.049	32.049	0.000	
Software Development:	37.793	37.790	(0.003)	
Minor Construction:	14.178	14.178	0.000	
Total FY 2016	112.269	112.266	(0.003)	

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
ENERGY MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2016 BUDGET ESTIMATES
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY
(\$ IN MILLIONS)

Line Number	Item Description	FY 2014		FY 2015		FY 2016	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
NEW 200-01	Fuel Terminal Automation	5	13.686	4	14.775	6	10.640
NEW 200-02	Inventory Accuracy	4	3.100	2	3.500	2	4.700
REP 200-02	Inventory Accuracy	7	1.270	1	1.500	1	2.000
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	16	18.056	7	19.775	9	17.340
SWD 200	EBS Energy Convergence		17.523		0.000		0.000
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		17.523		0.000		0.000
REP/ENV 200	Minor Construction \$250,000 - \$1,000,000		12.270		45.720		46.452
	<u>TOTAL MINOR CONSTRUCTION</u>		12.270		45.720		46.452
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	16	47.849	7	65.495	9	63.792
	Total Capital Outlays		59.731		81.534		70.959
	Total Depreciation Expense		61.809		65.636		69.784

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Energy Management Activity Group
February 2015

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

D. Activity Identification
DLA Energy

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>NEW 200-01</u> Fuel Terminal Automation - New Mission	5	2,737	13,686	4	3,694	14,775	6	1,733	10,640			

Narrative Justification:

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

The following sites are planned for AFHE installations and lifecycle upgrades in FY 2015 - FY 2016:

FY 2015 - FISC San Diego, CA, FISC Yokosuka (Hakozaki/Tsurumi) Japan, DFSP Craney Island, VA, FISC Jacksonville, FL

FY 2016 - FISC Yokosuka Japan, FISC Jacksonville, FL, FISC Pearl Harbor, HI, FISC San Diego, CA, NAS Pensacola, FL and Travis AFB, CA

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

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Logistics Agency
Energy Management Activity Group
2015

Defense
February

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

D. Activity Identification
DLA Energy

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>NEW & REP 200-02</u> Inventory Accuracy New Mission and Replacement	10	437	4,370	3	1,667	5,000	3	2,233	6,700			

Narrative Justification:

There are more than 400 fuel terminals worldwide for which DLA is the DoD Executive Agent. In all of these terminals there are various types of fuel tanks, each with Automated Tank Gauges (ATG). ATG systems are permanently installed in storage tanks to measure and monitor fuel levels and inventories. The devices efficiently provide information regarding the amount of product, temperature, and water in fuel tanks. These gauges have connectivity to the Business Systems Modernization (BSM) Energy system, FuelsManager Defense (FMD), which will capture all the data with regard to fuel stored and maintain accurate inventory records. The various Service Stations in DoD facilities have equipment to capture the quantity of fuel stored and also have connectivity to the same BSM Energy system, FMD. A study was completed in 2005 that provided final recommendations with regards to the type and corresponding sites where ATG systems will be installed. DS-IM provided the Automatic Tank Gauge (ATG) Installation Policy in December 2009 to execute this program. The budgeted amount also includes design and review costs in conjunction with implementation. The primary cost benefit of this investment is accurate inventory records and fuel loss control procedures. Temperature Compensating Meters (TCM) are required at fuel terminals to measure the exact amount of fuel received and issued after the required compensation for differences in temperature. The meters will be installed at various custody transfer points in the fuel terminal to ensure that accurate charges for the fuel received and issued are recorded and that sufficient amounts of fuel are maintained and protected. The budgeted amount also includes design and review costs in connection with the installation of this equipment. DLA DS-FEI has been coordinating closely with DLA DS-FENAA to identify and prioritize TCM locations. Hydrant Automation Monitoring Systems (HAMS) have been authorized by the DLA Energy Executive Agent Office in November 2012 to integrate existing hydrant pump house system monitoring back into the sites Fuels Service Centers (FSC) allowing for 24/7 monitoring of all alarms and activities associated with the hydrant systems. The budgeted amount includes design and review costs associated with the integration of the required equipment and testing of these efforts.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Energy Management Activity Group February
2015

C. Line Number & Item Description
SWD 200 Software Development \$1.0 and
Over

D. Activity Identification
DLA Energy

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
SWD 200 Supply Chain Management Enterprise Business System (EBS) Energy Convergence			17,523			0			0			

Narrative Justification:

The purpose of the Energy Convergence program is to integrate the Energy supply chain into DLA's existing Enterprise Resource Planning (ERP) system, which will create single ERP for all of DLA's business lines, and meet the December 2003 OSD direction to merge the energy commodities with DLA's Enterprise Business System (EBS). The Analysis of Alternatives was completed in May 2006 and concluded that converging Business System Modernization (BSM) Energy with EBS through the implementation of SAP Oil and Gas is the preferred alternative and provides a positive Return on Investment (ROI). SAP will provide improved efficiencies which will enable the DLA Energy to process the increased workload associated with the overall DoD energy mission. This solution will also provide an automated procurement solution for DLA Energy which is currently fully manual. The Energy Convergence program was preceded by a two phase technology development program. Phase I, which began in FY 2007, resulted in two applicable SAP industry solutions, Oil and Gas and the EBS Public Sector, functioning together on a common ERP backbone. This phase was completed in December 2008. Phase II, which was completed in May 2010, technically merged SAP Oil and Gas with Public Sector with the SAP Procurement application. The program was officially started in October 2009 with a Milestone B decision. The System Integration contract was awarded in November 2009, but the effort was delayed due to a protest until June 2010. This effort will result in a fully integrated, coherent, single ERP for DLA in FY 2014 to include the automated procurement solution. The Systems Integration effort will assure all the DLA Energy's supply chain commodities are fully incorporated and properly configured in the ERP. The Milestone C Economic Analysis (EA) was updated in May 2013 and projects a ROI of 4.75. The EA shows that it is significantly more economical and effective than the existing legacy system. Benefits will include reduced inventory; reduced demurrage, transportation, facilities, and interest penalty costs; as well as savings from use of the same software suite for all of DLA and automate DLA Energy functions that are currently stove-piped and fully manual.

**Activity Group Capital Investment Justification
(Dollars in Thousands)**

A. Budget Submission
**Fiscal Year (FY)
2016 Budget
Estimates**

B. Component/Activity Group/Date
Defense Logistics Agency
Energy Management Activity Group
February 2015

C. Line Number & Item Description
Minor Construction Capability -
Replacement/Environmental

D. Activity Identification
DLA Energy

Element of Cost	FY 2014			FY 2015			FY 2016			Quantity	Unit Cost	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
<u>REP & ENV 200</u> Minor Construction Replacement/Environmental			12,270			45,720			46,452			

Narrative Justification:

The minor construction investment for projects (costing between \$250,000 and \$1,000,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance and increase the level of protection of the workforce and the mission stock. These projects include:

1. Upgrading fuel receipt, storage, pipeline, pumping, and filtration facilities.
2. Upgrades to utility systems for environmental compliance, energy efficiency, and fire protection standards.
3. Incidental improvements associated with facilities repair projects

The minor construction capital is for execution of backlogged prior year projects, emerging requirements for aging petroleum infrastructures, and to match funding increases in operations and maintenance as many projects require both funding sources. Other contributing factors include inflation in construction material, labor, and transportation costs, dollar devaluation against foreign currencies mainly for OCONUS projects, and older facilities exceeding the 70% plant replacement value to repair.

Benefits include continued safe, compliant and efficient facility operations.

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
ENERGY MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2016 BUDGET ESTIMATES
CAPITAL BUDGET EXECUTION
February 2015
(DOLLARS IN MILLIONS)

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	22.335	18.056	(4.279)	Reduced requirements, Reprogrammed to DLA Supply Non-ADP
ADPE & TELCOM Equipment:	0.000	0.000	0.000	
Software Development:	12.120	17.523	5.403	Increase to baseline for additional functionality.
Minor Construction:	68.507	12.270	(56.237)	Reduced requirements, Reprogrammed to Energy SWD and DLA Supply Minor Construction
Total FY 2014	102.962	47.849	(55.113)	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	19.775	19.775	0.000	
ADPE & TELCOM Equipment:	0.000	0.000	0.000	
Software Development:	0.000	0.000	0.000	
Minor Construction:	45.720	45.750	0.030	Increases in costs
Total FY 2015	65.495	65.525	0.030	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	17.340	17.340	0.000	
ADPE & TELCOM Equipment:	0.000	0.000	0.000	
Software Development:	0.000	0.000	0.000	
Minor Construction:	46.452	46.452	0.000	
Total FY 2016	63.792	63.792	0.000	

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
DLA DOCUMENT SERVICES ACTIVITY GROUP
FISCAL YEAR (FY) 2016 BUDGET ESTIMATES
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY
(\$ IN MILLIONS)

Line Number	Item Description	FY 2014		FY 2015		FY 2016	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
REP 100	Digitization Duplication Equipment	1	0.000	1	0.600	1	0.600
	<u>TOTAL EQUIPMENT (Non ADP)</u>	1	0.000	1	0.600	1	0.600
PRD 100	Computer Hardware (Production)	1	0.000	1	0.665	1	0.665
	<u>TOTAL EQUIPMENT (ADP/T)</u>	1	0.000	1	0.665	1	0.665
SWD 100	Electronic Document Management		0.000		2.572		2.572
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		0.000		2.572		2.572
REP 200	Minor Construction \$250,000 - \$1,000,000		0.000		0.312		0.318
	<u>TOTAL MINOR CONSTRUCTION</u>		0.000		0.312		0.318
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	2	0.000	2	4.149	2	4.155
	Total Capital Outlays		0.144		2.533		4.154
	Total Depreciation Expense		9.376		4.252		2.931

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2016
Budget Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Document Services February 2015

C. Line Number & Item Description
REP 100 Replacement Non-ADP Equipment

D. Activity Identification:
DLA Document Services

Element of Cost	FY 2014			FY 2015			FY 2016					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>REP 100</u> Digitization Duplication Equipment	0	0	0	1	600	600	1	600	600			

Narrative Justification:

This investment for high speed duplicating equipment replaces existing equipment that has reached or exceeded the useful life established for these categories. Based on guidance contained in various Department of Defense (DoD) governing policies, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to various categories of equipment.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Document Services February 2015

C. Line Number & Item Description
PRD 100 Production ADP Equipment

D. Activity Identification
DLA Document Services

Element of Cost	FY 2014			FY 2015			FY 2016					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>PRD 100</u> Production Hardware Electronic Document Management	0	0	0	1	665	665	1	665	665			

Narrative Justification:

Electronic Document Management (EDM) is a transformational, capabilities-based capital planning initiative. It allows for the rapid acquisition of hardware, software and technical labor services for the deployment and implementation of various data management solutions for emergent customer requirements. EDM provides the customer with the ability to manage their content via electronic storage, workflow, web-based retrieval and certified records management. DLA Document Services must be able to react quickly to emergent customer fact-of-life needs, usually within one year, or less. The FY 2015 - FY 2016 projection was developed based on the number, size and scope of projects DLA Document Services has already installed, as well as those anticipated. The equipment replacement strategy not only ensures the highest quality equipment is purchased to refresh the original equipment but also minimizes equipment related costs by taking advantage of discounts available for high quantity buys. Examples of the equipment generally required are database, archive and web servers, document scanners, workstations, uninterruptible power supplies, miscellaneous switches, cables, and connectors.

<p>Activity Group Capital Investment Justification (Dollars in Thousands)</p>	<p>A. Budget Submission Fiscal Year (FY) 2016 Budget Estimates</p>
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<p>B. Component/Activity Group/Date Defense Logistics Agency Document Services February 2015</p>	<p>C. Line Number & Item Description SWD 100 Software Development \$1.0 and Over</p>	<p>D. Activity Identification DLA Document Services</p>
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Element of Cost	FY 2014			FY 2015			FY 2016					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<p><u>SWD 100</u> Net-Centric Hubs Electronic Document Management</p>			0			2,572			2,572			

Narrative Justification:

Electronic Document Management (EDM) is a transformational, capabilities-based capital planning initiative. It allows for the rapid acquisition of hardware, software and technical labor services for the deployment and implementation of various data management solutions for emergent customer requirements. EDM provides the customer with the ability to manage their content via electronic storage, workflow, web-based retrieval and certified records management. DLA Document Services must be able to react quickly to emergent customer fact-of-life needs, usually within one year, or less. The FY 2015 - FY 2016 projection was developed based on the number, size and scope of projects DLA Document Services has already installed, as well as those anticipated. Software requirements are for COTS application software licenses and contract labor to perform integration, testing, and training.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY)
2016 Budget
Estimates

B. Component/Activity Group/Date
Defense Logistics Agency
Document Services February 2015

C. Line Number & Item Description
Rep 200 Minor Construction

D. Activity Identification
DLA Document Services

Element of Cost	FY 2014			FY 2015			FY 2016					
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>REP 200</u> Minor Construction			0			312			318			

Narrative Justification:

The minor construction investment for projects (between \$250,000 and \$1,000,000) will construct new, replace existing, or modify current facilities to implement mission consolidations and allow for operational improvements. These projects consist of:

- (1) Renovations and alterations of administrative facilities.
- (2) Renovations and alterations to mission operational facilities such as printing, blueprint and microfilm facilities.

These investments will result in cost effective facilities to support the mission.

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
DLA DOCUMENT SERVICES ACTIVITY GROUP
FISCAL YEAR (FY) 2016 BUDGET ESTIMATES
CAPITAL BUDGET EXECUTION
February 2015
(DOLLARS IN MILLIONS)

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	0.600	0.000	(0.600)	Reduced requirements
ADPE & TELCOM Equipment:	0.665	0.000	(0.665)	Reduced requirements
Software Development:	2.572	0.000	(2.572)	Reduced requirements
Minor Construction:	0.306	0.000	(0.306)	Reduced requirements
Total FY 2014	4.143	0.000	(4.143)	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	0.600	0.600	0.000	
ADPE & TELCOM Equipment:	0.665	0.665	0.000	
Software Development:	2.572	2.572	0.000	
Minor Construction:	0.306	0.312	0.006	
Total FY 2015	4.143	4.149	0.006	

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE Equipment:	0.600	0.600	0.000	
ADPE & TELCOM Equipment:	0.665	0.665	0.000	
Software Development:	2.572	2.572	0.000	
Minor Construction:	0.318	0.318	0.000	
Total FY 2016	4.155	4.155	0.000	