

DEFENSE WORKING CAPITAL FUND

DEFENSE-WIDE FISCAL YEAR (FY) FY 2019 BUDGET ESTIMATES

OPERATING BUDGETS



**February 2018
CONGRESSIONAL DATA**

**DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2019 BUDGET ESTIMATES
FEBRUARY 2018**

DEFENSE-WIDE SUMMARY

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

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

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

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

DEFENSE-WIDE WORKING CAPITAL FUND CASH

The table below displays the actual DWWCF cash balance at the end of FY 2017 and estimated year end balances for FY 2018 and FY 2019. The plan projects a decrease of \$708.4 million in cash from the beginning of FY 2017 through FY 2019.

Dollars in Millions	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Cash, Beginning of Period	\$2,122.5	\$3,007.4	\$1,891.8
Disbursements	-\$43,566.8	-\$45,995.6	-\$47,823.9
Collections	\$44,036.8	\$44,734.8	\$47,298.1
<u>Net Outlays</u>	\$470.0	-\$1,260.8	-\$525.8
<u>Direct Appropriation</u>			
FY 2017 Received	\$321.1		
FY 2018 Requested		\$47.1	
FY 2019 Requested			\$48.1
<u>Overseas Appropriation</u>			
FY 2017 Received	\$93.8		
FY 2018 Requested		\$98.8	
FY 2019 Requested			\$0.0
<u>Cash Transfers</u>	\$0.0	-\$0.7	\$0.0
Cash, End of Period	\$3,007.4	\$1,891.8	\$1,414.1
Lower Operating Range		\$1,286.0	\$1,125.6
Upper Operating Range		\$3,868.1	\$2,619.5

FY 2017 Cash: The DWWCF Cash balance increased \$884.9 million due to a cash gain from Net Outlays (\$470.0 million) and the receipt of appropriated funding (\$414.9 million). The DISA cash gain of \$207.0 million is due to cost efficiencies in delivering Computing Services and Defense Information Systems Network (DISN) Infrastructure Services coupled with a timing difference between the posting of collections and disbursements at the end of the fiscal year. The DLA EM activity gained \$177.5 million due to collecting on increased sales. The DLA SCM activity gained \$6.7 million. The DWWCF received \$321.1 million in direct appropriations for Warfighter Readiness and Reutilization, Transfer, and Disposal (RTD) costs; and \$93.8 million in Overseas Contingency Operations (OCO) funding. Of the \$93.8 million received for OCO, the DLA EM activity received \$70.0 million primarily for fuel-related services provided by the NATO Support and Procurement Agency (NSPA), and the DLA SCM activity received \$23.8 million primarily for

the DLA Disposition Services (to support the scheduled drawdown of the Operations Freedom's Sentinel mission in Afghanistan and the Satellite Communications Services (SATCOM) for all activities in Southwest Asia (SWA)). The FY 2017 ending cash balance is \$3,007.4 million.

FY 2018 Cash: The DWWCF projects a cash decrease of \$1,115.6 million due to Net Outlays for the DLA SCM activity (-\$672.2 million) and the DLA EM activity (-\$372.6 million). Projected Net Outlays for the DLA SCM activity are due to disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year. The DLA EM activity Net Outlays are due to increased refined product estimated for the last half of the fiscal year. DLA EM collections are based on a FY 2018 composite standard fuel price of \$101.01 per barrel.

This submission requests \$47.1 million in direct appropriations for RTD costs; and \$98.8 million in OCO funding. Of the \$98.8 million requested for OCO, the DLA EM activity is requesting \$70.0 million primarily for fuel-related services provided by the NATO Support and Procurement Agency (NSPA) and the DLA SCM activity is requesting \$28.9 million primarily for the DLA Disposition Services (to support the scheduled drawdown of the Operations Freedom's Sentinel mission in Afghanistan and the Satellite Communications Services (SATCOM) for all activities in Southwest Asia (SWA)). The FY 2018 ending cash balance is projected to be \$1,891.8 million.

FY 2019 Cash: The DWWCF projects cash to decrease \$477.7 million due to Net Outlays of -\$525.8 million. The DLA SCM activity Net Outlays (-\$473.4 million) are for disbursing for materiel with a long financial lead time for which obligations were made in a prior fiscal year. The DLA EM activity projects a cash gain of \$13.1 million. This submission requests \$48.1 million in direct appropriations for RTD costs. The FY 2019 ending cash balance is projected to be \$1,414.1 million.

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

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
1. New Orders:			
a. Orders from DoD Components			
Army	6,618.0	8,136.6	8,621.9
Operations & Maintenance	4,947.3	5,801.9	6,144.0
Research Development Testing & Evaluation	106.0	142.5	158.8
Procurement	165.5	165.4	187.0
Military Construction	2.8	6.8	7.1
Family Housing	1.0	1.6	1.7
Military Personnel	1,306.2	1,969.8	2,072.5
Other	89.1	48.6	50.8
Navy	5,321.8	6,553.3	6,861.3
Operations & Maintenance	4,505.3	5,506.1	5,750.7
Research Development Testing & Evaluation	7.4	7.9	8.1
Procurement	373.5	386.5	415.2
Military Construction	0.5	0.8	0.9
Family Housing	2.1	3.2	3.4
Military Personnel	425.9	641.9	675.6
Other	7.0	6.9	7.5
Air Force	5,225.6	6,145.6	6,320.5
Operations & Maintenance	4,884.1	5,924.7	6,092.1
Research Development Testing & Evaluation	64.0	81.8	82.3
Procurement	182.9	6.4	6.7
Military Construction	0.0	0.0	0.0
Family Housing	7.2	10.7	11.2
Military Personnel	55.9	84.0	88.4
Other	31.5	38.0	39.8
Marine Corps	745.4	1,050.9	1,112.3
Operations & Maintenance	533.8	729.5	774.3
Research Development Testing & Evaluation	0.0	0.0	0.0
Procurement	4.4	8.9	9.2
Military Construction	0.0	0.0	0.0
Family Housing	0.0	0.0	0.0
Military Personnel	207.2	312.5	328.8
Other	0.0	0.0	0.0
Defense-Wide	4,525.4	6,440.7	6,967.2
Operations & Maintenance	1,669.3	2,406.6	2,661.5
Research Development Testing & Evaluation	165.2	196.7	227.4
Procurement	260.4	221.7	274.0
Military Construction	3.5	5.2	5.5
Family Housing	0.0	0.0	0.0
Military Personnel	0.0	0.0	0.0
Other	2,426.9	3,610.5	3,798.7

Other	247.8	278.4	351.4
Operations & Maintenance	224.2	253.8	328.4
Research Development Testing & Evaluation	23.5	24.6	23.0
Procurement	0.0	0.0	0.0
Military Construction	0.0	0.0	0.0
Family Housing	0.0	0.0	0.0
Military Personnel	0.0	0.0	0.0
Other	0.0	0.0	0.0
Total New Orders	22,684.0	28,605.6	30,234.6
Operations & Maintenance	16,764.1	20,622.6	21,751.0
Research Development Testing & Evaluation	366.2	453.5	499.6
Procurement	986.8	788.9	892.1
Military Construction	6.8	12.9	13.5
Family Housing	10.3	15.5	16.3
Military Personnel	1,995.2	3,008.2	3,165.3
Other	2,554.5	3,704.0	3,896.8
b. Orders from Other Fund Activity Groups	17,440.4	12,486.2	13,277.2
Army	3,822.3	2,655.4	2,824.2
Navy	3,448.8	2,726.5	2,875.3
Air Force	7,869.1	6,003.2	6,322.2
Marine Corp	10.7	10.5	12.3
Defense-Wide	2,289.5	1,090.6	1,243.2
c. Total DoD	40,124.4	41,091.8	43,511.8
d. Other Orders:	3,449.3	3,322.2	3,523.7
Trust Fund	50.5	48.2	61.4
Federal Agencies	965.3	1,126.7	1,209.4
Non Federal Agencies	969.3	790.6	843.9
Exchange Activities	0.4	0.2	0.2
Foreign Military Sales	1,463.8	1,356.6	1,408.8
2. Carry-In Orders	3,700.8	4,284.3	4,008.8
3. Total Gross Orders	47,274.5	48,698.3	51,044.2
4. Carry-Out Orders	-4,248.4	-3,980.4	-3,922.3
5. Gross Sales	43,026.1	44,717.9	47,121.9
Disposition Services - Sales Proceeds	120.4	81.2	78.4
6. Credits & Allowances	-409.8	-776.9	-797.4
7. Net Sales	42,736.7	44,022.2	46,402.9
8. Reimbursable Sales	947.5	1,145.9	1,047.9
9. Total Revenue	43,684.2	45,168.1	47,450.8

**DEFENSE-WIDE WORKING CAPITAL FUND
SUMMARY
FISCAL YEAR (FY) 2019 BUDGET ESTIMATE
REVENUE AND EXPENSES
FEBRUARY 2018
(Dollars in Millions)**

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Revenue:			
Gross Sales	41,951.8	43,551.9	45,683.7
Operations	41,673.6	43,317.1	45,440.8
Capital Surcharge	(8.4)	0.0	0.0
Capital Investment Recovery	286.6	234.8	243.0
Major Construction Depreciation	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0
Other Income	2,105.6	2,364.9	2,505.6
Refunds/Discounts (-)	(409.8)	(776.9)	(797.4)
Total Income	43,647.6	45,139.9	47,391.9
Expenses:			
Cost of Materiel Sold from Inventory	27,803.8	28,571.7	29,104.3
Materiel-Related	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	63.5	61.6	62.8
Civilian Personnel Compensation & Benefits	3,802.0	4,064.4	4,083.2
Travel & Transportation of Personnel	54.6	61.5	63.4
Materials & Supplies (For Internal Oper)	76.3	91.6	98.5
Equipment	178.1	120.0	124.4
Other Purchases from Revolving Funds	768.4	800.1	828.5
Transportation of Things	698.8	849.0	861.1
Inventory Maintenance	385.7	81.8	79.6
Capital Investment Recovery	300.1	248.6	256.5
Printing & Reproduction	63.4	82.7	83.2
Advisory and Assistance Services	76.2	104.0	95.2
Rent, Communication, Utilities, & Misc.	2,037.4	2,319.6	2,378.7
Other Purchased Services	7,460.5	8,567.7	9,483.9
Total Expenses	43,768.8	46,024.3	47,603.3
Operating Result	(121.2)	(884.3)	(211.3)
Less Capital Surcharge Reservation	8.4	0.0	0.0
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	428.1	159.2	61.3
Net Operating Result (NOR)	315.3	(725.1)	(150.0)
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	(505.9)	(7.6)	2,829.9
Prior Year AOR	(1,709.6)	(1,900.1)	(2,632.9)
Accumulated Operating Result (AOR)	(1,900.2)	(2,632.8)	47.0
Non-Recoverable Adjustments Impacting AOR	0.0	0.0	0.0
Accumulated Operating Results for Budget Purposes	(1,900.2)	(2,632.8)	47.0

Defense Finance and Accounting Service

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Jan 11, 2018

Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW



Fiscal Year (FY) 2019 Budget Estimates
Defense Working Capital Fund (DWCF)
President's Budget Submission
February 2018

**Fiscal Year (FY) 2019 Budget Estimates
Defense Finance and Accounting Service
February 2018**

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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) builds on its core values of Integrity, Service, and Innovation to lead the Department of Defense (DoD) in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information.

Established to leverage economies of scale and scope by centralizing various finance, accounting, human resources, and financial systems management services, the DFAS effectively leverages the Working Capital Fund model of full cost transparency to steadily and continually reduce costs to customers. Since its inception, the DFAS has consolidated more than 300 installation-level offices into nine sites and reduced the number of systems in use from 330 to 83. As a Working Capital Fund, the DFAS obtains all of its funding by charging customers for services provided, rather than through direct appropriations. The DFAS establishes stabilized customer rates annually in advance of execution based upon anticipated workload, estimated costs, and prior year gains or losses, with the goal of breaking even over the long run and ensuring sufficient cash to meet daily operations.

The DFAS is committed to exceptional customer service, delivering customers accurate and timely finance and accounting services at lowest cost, while utilizing electronic processes wherever possible. The DFAS works in partnership with the Office of the Secretary of Defense (OSD), Military services, Defense Agencies, and Combatant Commands to provide timely business information to key decision-makers. By focusing on the finance and accounting needs of the military services, the DFAS allows the warfighter to better concentrate on their mission.

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

On behalf of all customers, the DFAS averages more than \$2 billion in disbursements every workday, while providing a diverse range of accounting services, customer support, and financial reporting to assist customers in tracking funds and managing their budgets. The range and breadth of accounting, financial management, and support services provided to customers are briefly outlined below.

Audit Readiness Services:

The DFAS is leading the way toward the Department's goal of achieving fully-auditable financial statements. The DFAS has now sustained 18 consecutive unmodified opinions on the DFAS Working Capital Fund (WCF), 22 consecutive unmodified opinions on the Military Retirement Fund, two consecutive unmodified opinions on Non-Appropriated Fund (NAF) Financial Services, as well as achieving unmodified opinions on Statement on Standards for

Attestation Engagements (SSAEs) for the DFAS' internal functions of Military Payroll, Civilian Payroll, Disbursing, and Contract Pay. In addition, DFAS supported the DISA in achieving an unmodified opinion on the DISA WCF, and is supporting more than 50 other entities in the execution of their own audits.

Military/Civilian Pay Services:

Annually, the DFAS processes over 128 million pay transactions, disburses over \$554 billion to more than six million payroll customers, and manages nearly \$980 billion in the Military Retirement and Health Benefits Funds. The DFAS pays all active and reserve military members, military retirees and annuitants, as well as DoD civilian personnel and the President of the United States.

Payroll support to Army field personnel currently includes sustainment of 35 Defense Military Pay Offices (DMPOs) and 11 satellite offices by providing distributed staffing of over 900 DFAS civilian personnel worldwide.

The DFAS is actively seeking to tailor to the evolving needs of current customers and to attract new customers from outside the DoD, through a more flexible Civilian Payroll services offering. Adding new customers will create efficiencies through greater economies of scale and reduced overhead burden. For the initial offering in FY 2019, 16 current Civilian Pay customers, representing roughly 40% of DFAS' total Civilian Pay accounts, have elected to take advantage of the expanded pay history option to permit automated processing of updates to historical pay periods, which reduces the need for manual intervention.

Commercial Pay Services:

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

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

Accounting Operations Services:

The DFAS accounts for over 1,350 active DoD appropriations, by maintaining over 122 million general ledger accounts. Accounting Operations provides responsive and professional financial management, accounting, analysis, and consultation services with a focus on helping the DoD and other customers become more audit ready every day. Accounting services provided on a Direct Billable Hour (DBH) basis include General Ledger (GL) reconciliations, Journal Voucher (JV) postings, United States Treasury reporting,

billing, payment demand letters and collections, error clearing, problem disbursement work, systems access request processing, and many other accounting services.

Information Technology (IT) Services:

Robust investment in building and maintaining secure and audit-ready accounting, disbursing, and payroll systems is core to success of the DFAS mission. The constantly-evolving technological environment necessitates continuous management focus on IT planning, development and maintenance of systems, evolving cybersecurity threats, and maintaining essential telecommunications and computing infrastructure.

The DFAS is focused on investing in “target environment” systems to consolidate capabilities into a modernized systems base, to permit retirement of legacy systems, and to realize reduced systems maintenance costs. The DFAS successfully retired five legacy systems in FY 2017. Efforts are underway to upgrade target environment systems to meet the requirements of the Standard Financial Information Structure and the DoD Standard Line of Accounting (SFIS/SLoA), in support of Department audit readiness. Additionally, the DFAS is continuing work to test, validate, and update systems and processes in support of sustained auditability.

DFAS Strategy

The DFAS builds and executes its budget mindful that every dollar counts and that resourcing the Warfighter is the first priority. To ensure that accounting and financial management resources are directed to the most critical requirements, the DFAS has outlined the FY 2019 budget to align with four key strategic priorities:

- **Audit Steadiness:** Helping lead the DoD in achieving and sustaining favorable audits for all financial statements. The DFAS leads by example, achieving 18 consecutive unmodified opinions on the DFAS Working Capital Fund annual financial statements.
- **Business Environment Modernization:** Modernizing processes and leveraging technologies to achieve the highest customer service levels and greatest cost efficiencies possible. Consolidating capabilities into targeted enduring and ERP systems, retiring legacy systems, and reducing operating costs.
- **People:** Implementing strategies for precise and timely alignment of talent pools with customer-driven mission requirements. Actively executing the DFAS' human capital plan to hire and grow key skillsets and implementing a collaborative work environment. Leading the way in hiring former military service members and Americans with disabilities.
- **Agency Operational Health:** Increasing productivity and expanding customer service to maximize the DFAS' value as a shared service provider through a comprehensive metrics-based approach. Maturing cost transparency to customers to collaboratively identify opportunities for reducing customers' total expense for DFAS-provided services.

Budget Assumptions

The DFAS bases budget assumptions and cost estimates on specific business events required to meet customer workload forecasts. As a Working Capital Fund, the DFAS has the necessary flexibility to adapt its execution plan in response to evolving customer requirements. Since inception in 1991, the DFAS has continually achieved measurable improvements in efficiency, which help to offset growing workload requirements and the rising cost of labor.

The FY 2019 budget incorporates the following assumptions:

- Eliminating expenses for three legacy systems in FY 2018 and five additional legacy systems in FY 2019, with offsets for expenses to upgrade target systems and transition data and work processes to the targeted systems environments.
- Continuing reductions in overhead expenses driven by headquarters functions, to ensure that the DFAS cost structure remains responsive to customer requirements.

- Increasing IT support for infrastructure, cybersecurity, audit readiness, Federal Information System Controls Audit Manual (FISCAM), DATA Act transparency, and the Risk Management Framework (RMF) in order to meet Federal and DoD requirements.
- Improving efficiencies in Civilian Payroll processing stemming from expanded online availability of historical payroll data, with offsets for the additional expense of maintaining more information online.
- Staffing increases to support customer audit assertion and audit execution by providing client liaison support, educational programs, contracting and accounting support, and system upgrades and enhancements as part of a dedicated audit readiness infrastructure.
- Full staffing support for the Army Military Payroll function, as well as the DMPO network, pending future functional changes related to delivery of the Integrated Personnel and Pay System – Army, currently scheduled for FY 2020.
- Generating long-term cost savings and continuity of quality by in-sourcing mission-related functions when beneficial.

Budget Summary

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

Revenue and Expenses (\$ in Millions)

	FY 2017	FY 2018	FY 2019
Revenue	\$1,411.9	\$1,374.8	\$1,395.6
Cost of Operations	<u>\$1,354.6</u>	<u>\$1,419.3</u>	<u>\$1,408.8</u>
Operating Results	\$57.3	\$(44.6)	\$(13.2)
Adjustment for Unfunded Depreciation on non-DFAS acquired PP&E	<u>\$13.2</u>	<u>\$13.2</u>	<u>\$13.2</u>
Recoverable Net Operating Results (NOR)	\$70.5	\$(31.3)	\$0
Accumulated Operating Results (AOR) – Beginning	\$73.6	\$70.5	\$0
Adjustment for Recoverable/Deferred AOR	<u>\$(73.6)</u>	<u>\$(39.2)</u>	<u>\$0</u>
Recoverable AOR - Ending	\$70.5	\$0	\$0

The DFAS augmented its FY 2016 and FY 2017 billing rates to establish a cash balance with Department of Treasury sufficient to support ongoing daily operations in accordance with the DoD Financial Management Regulation (FMR). Accordingly, in 2018 the DFAS intends to request approval to make a portion of the FY 2017 Accumulated Operating Results (AOR) non-recoverable, which will set the required cash reserve to the targeted level. Due to greater-than-planned customer workload and revenue, the DFAS also decreased FY 2018 rates below projected costs to return \$31.3M of excess AOR to customers. The DFAS FY 2019 budget assumes targeted cash reserve levels will be achieved at the end of FY 2018, so projected revenue is set to match projected costs. Decisions on future AOR adjustments will be re-evaluated each year based on operating results and cash requirements.

Personnel

	FY 2017	FY 2018	FY 2019
Direct Hire Civilian FTEs	11,385	11,597	11,553
Indirect Hire Foreign National FTEs	199	199	199
Civilian End Strength	11,950	12,050	11,454
Military End Strength	24	24	21

Capital Investment Program

(Dollars in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Total Obligations	\$21.8	\$31.3	\$25.5
Total Capital Outlays	\$30.7	\$26.1	\$27.3

ADPE and Telecommunications Equipment

The FY 2019 budget includes projects supporting Enterprise Local Area Network (ELAN), teleservices, and security to continue to provide enhanced functionality to assist DFAS in meeting Federal and DoD mandates. FY 2019 also includes the development of an Enterprise Governance Risk and Control system that will replace the Manager's Internal Control Program (MICP) into a single solution.

FY 2018 capital investments show a decrease from the 2018 President's Budget due to cancellation of the Desktop Management Initiative (DMI) Virtual Desktop Initiative (VDI) and reassessment of costs for teleservices.

Software Development

The FY 2019 program includes the merging of the Audited Financial Statement (AFS) and budgetary modules of the Defense Departmental Reporting System (DDRS) into a consolidated module to enhance the overall capability. FY 2019 also includes the development of an Enterprise Governance Risk and Control system that will replace the Manager's Internal Control Program (MICP) into a single solution and an upgrade to the Corporate Electronic Document Management System to provide additional customization to include full PII redaction, development of ad hoc reporting capabilities, development of user generated reports and integration with MS SharePoint.

FY 2018 capital investments show an increase from the 2018 President's Budget due to emerging DCPS development projects to include a legislative system change request for the Department of Defense Education Activity (DoDEA), a debt collection initiative, and a self-service reporting tool. Another emerging requirement contributing to this increase is for the Reduced Legacy Systems (RLS) initiative to subsume two additional systems into the Defense Cash Accountability System (DCAS).

Minor Construction

The Minor Construction project scheduled for FY 2019 will cover a redesign of the layout of the kitchen and cafeteria areas at DFAS Columbus. The intent is to improve flooring, upgrade electrical service to the kitchen, move and/or construct new walls, relocate kitchen cooling units, and enhance serviceability, reconfigure the dining area to make it a multipurpose room for conference center overflow, and provide for a more efficient traffic flow to meet the needs of the vendor.

**Fiscal Year (FY) 2019 Budget Estimates
Changes in the Costs of Operation
Defense Finance and Accounting Service
February 2018
(\$ in Millions)**

	Costs
FY 2017 Actual	\$1,354.6
Pricing Adjustment:	
FY 2018 Civilian Pay Raise	\$14.4
Annualization Prior Year Pay Raise	5.3
Inflation Adjustment	6.3
Program Changes:	
Civilian Personnel Compensation	36.0
Travel & Transportation of Personnel	(1.6)
Material & Supplies	0.7
Other Purchases from Revolving Funds	0.5
Transportation of Things	(0.1)
Depreciation	3.1
Printing & Reproduction	0.4
Advisory & Assistance Services	4.9
Rent, Communication, Utilities and Misc. Charges	(1.1)
Other Purchased Service	(3.6)
FY 2018 of PB 2018:	\$1,419.3
Pricing Adjustment:	
FY 2019 Civilian Pay Raise	\$0.0
Annualization Prior Year Pay Raise	5.1
Inflation Adjustment	5.4
Program Changes:	
Civilian Personnel Compensation	(11.2)
Travel & Transportation of Personnel	1.8
Material & Supplies	(0.1)
Other Purchases from Revolving Funds	5.2
Transportation of Things	0.1
Depreciation	1.5
Printing & Reproduction	(0.4)
Advisory & Assistance Services	(4.1)
Rent, Communication, Utilities and Misc. Charges	1.4
Other Purchased Service	(14.9)
FY 2019 PBR 2019 Estimate:	\$1,408.8

**Fiscal Year (FY) 2019 Budget Estimates
Source of New Orders and Revenue
Defense Finance and Accounting Service
February 2018
(\$ in Millions)**

1. New Orders			FY 2017	FY 2018	FY 2019
a. Orders from DoD Components:					
APPN	Client	Customer			
Total Capital	Defense Agency	Defense Finance and Accounting Service	12.1	3.8	1.1
Total Family HcArmy		Army Family Housing	0.1	0.1	0.1
O&M	Air Force	Core Work	270.9	268.1	265.8
O&M	Army	Core Work	519.4	499.0	502.9
O&M	Marine Corps	Core Work	47.4	47.0	47.9
O&M	Navy	Core Work	221.3	222.6	230.3
O&M	Defense Agency	Air Force Medical Service	0.3	0.0	0.0
O&M	Defense Agency	Business Transformation Agency	0.1	0.0	0.0
O&M	Defense Agency	US Court of Appeals for the Armed Forces	0.0	0.1	0.1
O&M	Defense Agency	Chemical Biological Defense Program	0.0	0.0	0.0
O&M	Defense Agency	Defense Acquisition University	1.7	0.9	1.4
O&M	Defense Agency	Defense Contract Audit Agency	5.5	6.3	5.4
O&M	Defense Agency	Defense Contract Management Activity	6.7	7.5	7.9
O&M	Defense Agency	Defense Health Program	31.4	31.9	33.0
O&M	Defense Agency	Defense Human Resources Activity	3.0	2.7	2.9
O&M	Defense Agency	Defense Intelligence Agency	0.7	0.8	0.8
O&M	Defense Agency	Defense Information Systems Agency	10.6	10.6	12.4
O&M	Defense Agency	Defense Logistics Agency	7.2	1.0	3.5
O&M	Defense Agency	Defense Legal Services Agency	0.3	0.4	0.3
O&M	Defense Agency	Defense Media Activity	1.0	1.2	1.0
O&M	Defense Agency	Department of Defense Prisoner of War/Missing In Action Office	0.6	0.5	0.5
O&M	Defense Agency	Department of Defense Comptroller	0.0	0.0	0.0
O&M	Defense Agency	Department of Defense Education Activity	8.2	7.7	7.8
O&M	Defense Agency	Department of Defense Inspector General	2.9	3.2	3.4
O&M	Defense Agency	Defense Security Cooperation Agency	2.5	1.9	3.0
O&M	Defense Agency	Defense Security Service	1.5	2.0	1.7
O&M	Defense Agency	Defense Threat Reduction Agency	2.6	2.9	3.9
O&M	Defense Agency	Defense Technology Security Administration	0.2	0.5	0.6
O&M	Defense Agency	IGTS PMO	0.0	0.0	0.0
O&M	Defense Agency	Joint Chief of Staff, Office	0.6	0.8	0.7
O&M	Defense Agency	Military Housing Privatization Initiative	0.5	0.7	0.6
O&M	Defense Agency	National Defense University	0.6	0.7	0.7
O&M	Defense Agency	National Geospatial-Intelligence Agency	1.9	1.3	1.6
O&M	Defense Agency	National Security Agency	1.5	1.6	1.4
O&M	Defense Agency	Office of Economic Adjustment	0.4	0.3	0.4
O&M	Defense Agency	Pentagon Force Protection Agency	0.2	0.3	0.3
O&M	Defense Agency	Department of Defense, Office of	0.0	0.0	0.0
O&M	Defense Agency	Special Operations Command	0.0	0.0	0.0
O&M	Defense Agency	US Soldier's & Airmen's Home	0.0	0.0	0.0
O&M	Defense Agency	Washington Headquarters Service	4.8	6.8	8.3
Total O&M			1,156.7	1,131.4	1,150.4
RDT&E	Army	Army	0.0	0.0	0.0
RDT&E	Navy	Navy	2.0	1.8	1.7
RDT&E	Air Force	Air Force	0.0	0.0	0.0
RDT&E	Defense Agency	Business Transformation Agency	0.0	0.0	0.0
RDT&E	Defense Agency	Chemical Biological Defense Program	1.2	1.1	1.9
RDT&E	Defense Agency	Center for Countermeasures	0.0	0.1	0.0
RDT&E	Defense Agency	Defense Advanced Research Projects Agency	3.3	2.9	3.5
RDT&E	Defense Agency	Defense Health Program	0.0	0.0	0.0
RDT&E	Defense Agency	Defense Information Systems Agency	0.0	0.0	0.0
RDT&E	Defense Agency	Defense Logistics Agency	0.0	0.0	0.0
RDT&E	Defense Agency	Defense Technical Information Center	3.1	3.4	2.4
RDT&E	Defense Agency	Missile Defense Agency	5.6	4.1	5.4
RDT&E	Defense Agency	Washington Headquarters Service	0.2	0.0	0.0
Total RDT&E			15.5	13.4	15.0

**Fiscal Year (FY) 2019 Budget Estimates
Source of New Orders and Revenue
Defense Finance and Accounting Service
February 2018
(\$ in Millions)**

			FY 2016	FY 2017	FY 2018
FMS	Defense Agency	Defense Security Cooperation Agency	21.9	23.2	24.2
Total FMS			21.9	23.2	24.2
a. Total Orders from DoD Components:			1,206.4	1,171.8	1,190.8
b. Orders from Other Fund Activity Groups					
APPN	Client	Customer			
WCF	Air Force		8.4	8.4	7.7
WCF	Army		10.8	9.8	9.7
WCF	Marine Corps		2.6	2.7	2.7
WCF	Navy		37.1	35.1	36.4
WCF	Defense Agency	Defense Commissary Agency	16.9	17.2	15.4
WCF	Defense Agency	Defense Information Systems Agency-DITCO	8.0	8.2	10.7
WCF	Defense Agency	Defense Logistics Agency	55.6	61.3	56.6
WCF	Defense Agency	Military Traffic Management Command	2.3	2.3	2.2
WCF	Defense Agency	TRANSCOM	11.3	8.5	8.0
WCF	Defense Agency	Defense Technical Information Center	0.0	0.1	0.1
WCF	Defense Agency	Defense Technology Security Administration	0.3	0.1	0.1
WCF	Defense Agency	Washington Headquarters Service	0.0	0.0	0.0
WCF	Defense Agency	Pentagon Force Protection Agency	0.0	0.0	0.0
b. Total Orders from Other Fund Activity Groups			153.2	153.7	149.4
c. Total DoD			1,359.6	1,325.5	1,340.2
d. Other Orders					
US Dept of Treasury		US Dept of Treasury	0.9	0.6	0.8
US Dept of Veteran Affairs		US Dept of Veteran Affairs	37.6	35.4	39.6
US Dept of Energy		US Dept of Energy	1.1	1.0	1.1
US Dept of Health Human Services		US Dept of Health Human Services	8.7	7.7	8.9
US Corps of Engineers		US Corps of Engineers	3.6	3.3	3.5
Department of Homeland Security		Department of Homeland Security	0.0	0.0	0.0
Director of National Intelligence		Director of National Intelligence	0.0	0.5	0.7
Environmental Protection Agency		Environmental Protection Agency	0.0	0.0	0.0
US Coast Guard		US Coast Guard	0.1	0.1	0.0
Executive Office of the President		Executive Office of the President	0.2	0.2	0.2
Broadcast Board of Governors		Broadcast Board of Governors	0.1	0.1	0.1
Foreign Military Sales		Foreign Military Sales	0.0	0.0	0.0
Commercial (Citi, EDS, etc)		Commercial	0.0	0.4	0.5
d. Total Other Orders			52.2	49.2	55.4
1. Total New Orders			1,411.9	1,374.8	1,395.6
2. Carry-In Orders			0.0	0.0	0.0
3. Total Gross Orders			1,411.9	1,374.8	1,395.6
4. Carry-Out Orders			0.0	0.0	0.0
5. Gross Sales			1,411.9	1,374.8	1,395.6
6. Credit			0.0	0.0	0.0
7. Net Sales			1,411.9	1,374.8	1,395.6

**Fiscal Year (FY) 2019 Budget Estimates
Revenue and Costs
Defense Finance and Accounting Service
February 2018
(\$ in Millions)**

	FY 2017	FY 2018	FY 2019
Revenue			
Gross Sales			
Operations	1,392.0	1,351.8	1,371.1
Depreciation except Major Construction	19.8	22.9	24.5
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:	1,411.9	1,374.8	1,395.6
Costs			
Civilian Personnel Compensation & Benefits	1,007.6	1,063.2	1,057.0
Travel & Transportation of Personnel	6.2	4.7	6.5
Materials & Supplies (Internal Operations)	2.2	2.9	2.8
Other Purchases from Revolving Funds	98.0	100.4	107.3
Transportation of Things	0.5	0.4	0.5
Depreciation - Capital	33.0	36.2	37.7
Printing and Reproduction	5.1	5.7	5.3
Advisory and Assistance Services	18.8	23.9	20.1
Rent, Communications, Utilities & Misc. Charges	43.0	42.6	44.6
Other Purchased Services	140.1	139.3	126.9
Total Expenses:	1,354.6	1,419.3	1,408.8
Operating Result	57.3	(44.6)	(13.2)
Depreciation, Non-DWCF Acquired PP&E	13.2	13.2	13.2
Adjustments to NOR	0.0	0.0	0.0
Net Operating Result	70.5	(31.3)	0.0
PY AOR	73.6	70.5	0.0
Non-recoverable/Deferred AOR Adjustment	(73.6)	(39.2)	0.0
Accumulated Operating Results	70.5	0.00	0.0

**DEFENSE INFORMATION SYSTEMS AGENCY
FISCAL YEAR (FY) 2019
BUDGET ESTIMATES**



**DEFENSE WORKING CAPITAL FUND
INFORMATION SERVICES**

February 2018

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

Information Services Activity Group: Overview

FISCAL YEAR (FY) 2019 BUDGET ESTIMATES

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

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

(\$ in millions)	FY 2017 ^[1]	FY 2018	FY 2019
Revenue	\$6,969.0	\$7,612.0	\$8,526.5
Cost	\$6,990.9	\$7,696.0	\$8,564.5
Net Operating Result	(\$21.9)	(\$83.9)	(\$37.9)
Prior Year Accumulated Operating Results (AOR)	\$190.7	\$168.8	\$84.9
Ending AOR ^[2]	\$168.8	\$84.9	\$47.0
Capital Budget	\$56.3	\$90.3	\$75.2
Civilian Work Years	2,807	3,007	3,055
Military End Strength	33	26	24

^[1]The table above provides a summary of the financial accounts and personnel levels reflected in this budget request for the Information Services activity group. FY 2017 data are actual results.

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

^[2]Positive ending AOR will be returned to customers in FY 2020 rates.

The DoD Joint Information Environment (JIE) is designed to create an enterprise information environment that optimizes use of the DoD IT assets, converging communications, computing, and enterprise services into a single joint platform that can be leveraged for all Department missions. These efforts improve mission effectiveness, reduce total cost of ownership, reduce the attack surface of our networks, and enable DISA's mission partners to more efficiently access the information resources of the enterprise to perform their missions from any authorized IT device anywhere in the world. The DISA continues its efforts towards realization of an integrated Department-wide implementation of the JIE through development, integration, and synchronization of JIE technical plans, programs and capabilities.

The DISA is uniquely positioned to provide the kind of streamlined, rationalized enterprise solutions the Department is looking for to effect IT transformation. The DISA owns/operates enterprise and cloud-capable DISA Data Centers, the world-wide Defense Information Systems Network (DISN), and the Defense IT Contracting Organization (DITCO). The DISA Data Centers routinely see workload increases – this trend will increase as major new initiatives begin to fully impact the Department. As part of the Department’s transition to the Joint Information Environment (JIE), DISA Data Centers have been identified as Continental United States (CONUS) Core Data Centers (CDCs), and Defense Enterprise Email (DEE) has been identified as a DoD Enterprise Service.

The DISA also anticipates continuation of partnerships with other federal agencies. The DoD/VA Integrated Electronic Health Record (iEHR) agreement to host all medical records in the DISA Data Centers and the requirement for DoD to provide Public Key Infrastructure (PKI) services to other federal agencies on a reimbursable basis are examples. We continue to move forward on several new initiatives, including: accelerated implementation of multiprotocol label switching (MPLS) technology; deploying and sustaining Joint Regional Security Stacks (JRSS) to fundamentally change the way the DoD secures and protects its information networks; operating a Joint Enterprise License Agreement (JELA) line of business with a low fee of 0.25 percent, and a new management concept in Computing Services that aligns like-functions across a single computing enterprise to prioritize excellence in service delivery, process efficiency, and standardization.

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) Activity Groups**. As our business areas continue to evolve, they are interdependent cost centers of an integrated technical architecture. As a result, this legacy division of the Information Services Activity Group is moving toward full integration into a single business entity pending replacement of legacy systems. For rate setting purposes, the DISA assesses profit/loss factors at the agency level.

Rate Changes for Major Programs

	FY 2019 Rate/Fee	Percent Change
DISN Infrastructure Services (DISN IS)	-	+1.18%
Standard Contracting Fee	2.50%	0.00%
Joint Enterprise License Agreement (JELA) Contracting Fee	0.25%	0.00%
JELA Decentralized Ordering Fee	0.10%	0.00%
Computing Services Composite Change	-	-6.00%

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

FISCAL YEAR (FY) 2019 BUDGET ESTIMATES

The Computing Services business area operates the DISA Data Centers, 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).

DISA implemented a new management concept in January 2017 in Computing Services called the “Ecosystem”. This new model aligns like-functions across a single computing enterprise and establishes a unified computing structure operating under a single command – one large virtual Data Center. The Ecosystem will prioritize excellence in service delivery, process efficiency, and standardization for tools and processes with a focus on optimizing support to customers and stakeholders. Toward that end, the Ecosystem will adopt a standardized support model with standardized implementations and service offerings requiring limited mission partner involvement in patching and upgrading operating systems and hardware.

This budget reflects conservative estimates of workload growth combined with cost savings measures which generate a 6.0% percent aggregate rate decrease in FY 2019. The subsequent chart provides a summary of the major financial accounts and personnel levels included in this budget submission. DISA proposes maintaining an accumulated operating result of \$12.4 million at the end of FY 2019, which will offset losses in the Telecommunications Services and Enterprise Acquisition Services business areas. Additional details on operating cost and rates are discussed in later sections.

**Computing Services
Key Budget Data**

(\$ in millions)	FY 2017*	FY 2018	FY 2019
Revenue	\$951.2	\$1,031.3	\$1,168.3
Cost	\$916.7	\$1,043.4	\$1,147.4
Net Operating Result	\$34.5	(\$12.0)	\$20.9
Prior Year Accumulated Operating Results (AOR)	(\$31.1)	\$3.4	(\$8.6)
Total AOR	\$3.4	(\$8.6)	\$12.4
Capital Budget	\$52.5	\$55.8	\$56.1
Civilian Work years	1,671	1,775	1,816
Military End Strength	10	5	6

*Fiscal Year 2017 data are actual results.

Overview

The DISA’s Computing Services business area currently operates eight Data Centers: seven in the continental United States (CONUS) and one outside the continental United States (OCONUS). A Theater Enterprise Computing Center (TECC) was also established in 2009 in Southwest Asia. All CONUS Data Centers have been designated as Core Data Centers as part of the Joint Information Environment (JIE), and DISA will be acquiring three new Data Centers by the end of FY 2019 located in Fort Shafter, Bahrain, and Yokota. The computing facilities continue to be highly accessible and secure data processing centers with dual high-capacity Defense Information Systems Network connectivity and organic defense in-depth, resulting in a secure and robust computing infrastructure. They feature automated systems management to control computing resources and to gain economies of scale. Additionally, Computing Services provides “assured computing,” whereby all mission-critical data is continuously available to customers.

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

- 21 mainframes
- Approximately 16,500 servers
- Approximately 55,000 terabytes of storage
- Approximately 317,000 square feet of raised floor
- Survivable connectivity to the Defense Information Systems Network core

The subsequent table displays the locations of Data Centers currently operated by DISA.

Data Center Locations
Mechanicsburg, PA Montgomery, AL Oklahoma City, OK Ogden, UT Columbus, OH San Antonio, TX St. Louis, MO
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

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, Global Content Delivery Service, ATAAPS, milCloud, milCloud 2.0, and Forge.mil are capabilities that align with this strategic vision and leverage the power of the DISA Data Centers on the Department of Defense Information Network. These services are discussed in further detail subsequently:

DoD Enterprise Email (DEE) has officially been designated by DoD CIO as the enterprise email capability for the Department. DEE provides enterprise email capability to the end user at any location globally in a secure manner. DEE is constructed to support the deployment of email capability for 4.5 million users and a global address list (GAL) scaled to support 10 million

objects (e.g., DoD common access card (CAC) personas and non-person entities (NPEs)). Using a modular design, DISA has the ability to grow capacity as required.

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

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

Additionally, optional capabilities such as journaling and mobile device support are available to customers at an additional charge. Journaling is a service that permanently saves each message that a specified user sends or receives and may be required for some flag officers, high ranking appointees and Senior Executive Service members. Customers are charged based on the number of gigabytes of storage used. Furthermore, DISA is offering a service to provide mobile support to customers billed on a per device basis. This service supports BlackBerry 10, Samsung and iOS devices.

Global Content Delivery Service (GCDS) has been designated as the DoD enterprise solution for distributed content caching by the DoD CIO. GCDS provides the capability to bring web content and applications closer to the end-user, minimizing download times and increasing connection speeds by forward-staging information across the Defense Information Systems Network (DISN). The service currently covers 85 regions and is in 12 countries around the world. In certain cases, GCDS hardware is hosted at DISA Data Centers, but is also hosted in bases, camps, and stations around the world. Customers of GCDS can purchase Web Application Delivery, Net Storage, and/or Web Application Firewalls. Customers requiring customization of their GCDS environment work with Computing Services and are charged on a reimbursable basis for implementation costs, including consulting and advanced engineering services.

DoD Automated Time and Attendance Production System (ATAAPS) is a Human Resource Management System (HRMS) that provides information to downstream payroll processing by the Defense Civilian Payroll System (DCPS), entitlement systems, and in some cases enterprise resource planning (ERP) business systems. ATAAPS provides the ability to accurately record time and attendance while capturing labor hours by job order. ATAAPS creates a common platform for the DoD Agencies, Military Services, and Other Government Agencies (OGA) who use DCPS as their civilian payroll system of record. ATAAPS helps to ensure agencies can easily and effectively enter, validate, certify, audit, and transmit records to DCPS. Beginning FY 2019, DFAS will transfer software ownership and maintenance functions to DISA, enabling

DISA to provide a consolidated bill to customers utilizing ATAAPS. Previously, DISA only provided the hosting services.

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

milCloud 2.0 is an emerging new service that will establish a commercial infrastructure-as-a-service (IaaS) environment in DoD Data Centers that will be connected to DoD networks and have unclassified workloads transitioned to and stored in the commercial IaaS solution. These information technology (IT) services will be provided under a “pay for usage” concept. This concept will provide customers the cost benefit of moving away from monthly or yearly fees to incorporate a model that will allow them to solely pay for their usage.

Forge.mil is a family of enterprise services which provides for collaborative development and cyber project management through the full application lifecycle. It supports agile software development (or can be tailored to support other development methodologies) and software reuse on NIPRNet and SIPRNet. The system currently enables the collaborative development and use of open source and DOD community source software. Application lifecycle management tools such as software version control, configuration management, bug/issue tracking, requirements management, and project reporting as well as collaboration tools such as project wikis, discussion forums, project mailing lists and document management are provided, allowing geographically dispersed project team members to securely access and manage all project assets in a single location.

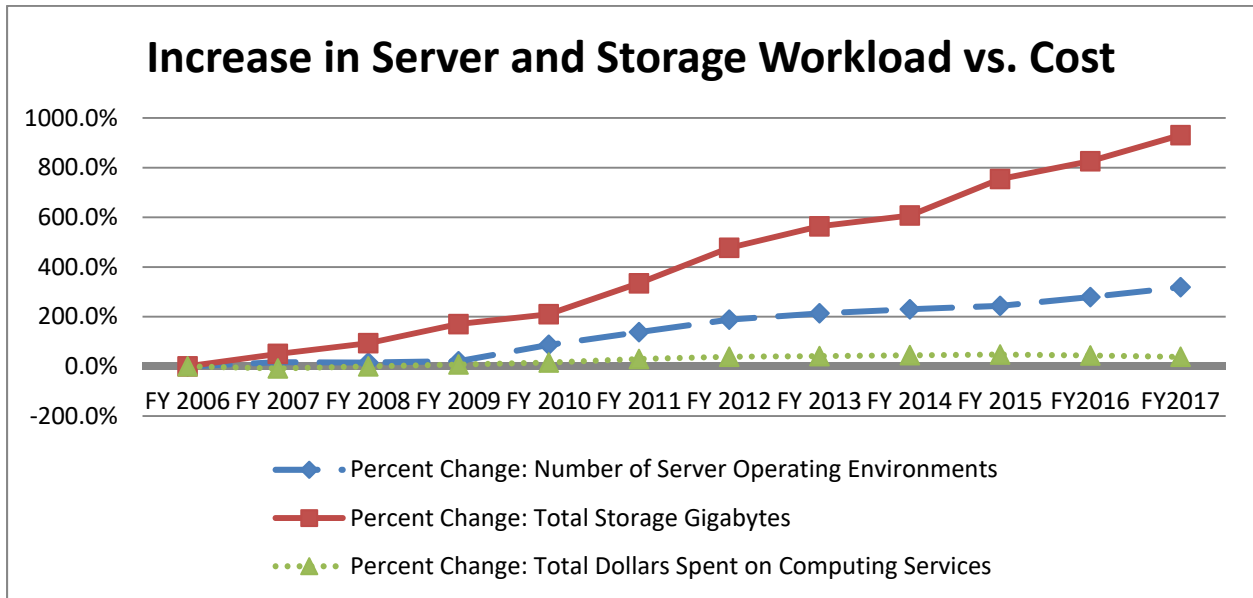
New Services:

Secure Cloud Computing Architecture (SCCA) is a suite of enterprise-level services, tailored to meet the unique functional and operational requirements of cloud computing in the DoD. SCCA provides core security capabilities, enabling mission partners to transition applications and data to commercial cloud offerings for impact level four and five data, in a consistent and secure manner resulting in scalable, secure, and cost-effective architecture. A modular, decoupled model enables various implementations.

Storage as a Service (STaaS) is a self-service cloud storage capability providing bulk storage for applications, backups, or system images. As a DoD Cloud Service, STaaS is available from anywhere on the NIPRNet. The STaaS infrastructure is based on IBM Object store and is a high-availability cluster. With this design, an entire site can go offline while still providing 100% availability to our Mission Partners.

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 319 percent, and total storage gigabytes have increased by 931 percent. Over the same timeframe, the cost to deliver all computing services has increased by only 38.6 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 DISA Data Centers.



MAJOR CHANGES BETWEEN FISCAL YEARS

Computing Services Cost of Operations

(\$ in millions)	FY 2017	FY 2018	FY 2019
FY 2018 President's Budget	\$955.8	\$967.5	-
FY 2019 Current Estimates	\$916.7	\$1,043.4	\$1,147.4
Change FY 2018 President's Budget to Current Estimate	(\$39.1)	\$75.9	-
Change FY 2018 Current Estimate to FY 2019 Current Estimate	-	-	\$104.0

*Fiscal Year 2017 data are actual results.

FY 2018 President's Budget Submission to FY 2018 Current Estimate

Computing Services' FY 2018 cost of operations increases by a net of \$75.9 million from the FY 2018 President's Budget.

This increase is primarily driven by new customer workload (+\$30.3 million) and increased labor costs to support new and existing workload (+\$20.2 million). Other increases include: increased cost required to operate, maintain, and modernize the Agency's IT Enterprise (+\$13.8 million); increased period of dual operations during transition to a new Communications capacity services contract (+\$10.2 million); implementation of a central privileged user authentication service to satisfy cybersecurity requirements for systems within the DISA Ecosystem (+\$5.6 million); increased cost to address emerging cyber security requirements (+\$5.0 million); contract cost escalation for the Global Content Delivery Service (GCDS) (+\$4.5 million); customer storage requirements (+\$1.8 million); software maintenance of tools required to provide computing services (+\$1.1 million); establishment of Fort Shafter as a Core Data Center (+\$0.8 million); and other requirements supporting delivery of computing services (+\$0.2 million).

These cost increases are partially offset by reductions in: depreciation expenses (-\$3.0 million); delayed technology refresh for DoD Enterprise Email (-\$2.0 million); reductions in the virtual desktop infrastructure program for the DISA out-of-band management network (-\$7.7 million); reduced contract labor (-\$3.8 million); and reductions in travel and overtime (-\$1.1 million).

FY 2018 Current Estimate to FY 2019 Current Estimate

The cost of operations from FY 2018 to FY 2019 increases by a net of +\$104.0 million. Of this amount, +\$15.5 million is due to inflation and civilian/military pay raises.

This increase is primarily driven by new customer workload (+\$53.9 million). Other increases include: contract and labor costs supporting customer demand for computing services (+\$7.6 million); depreciation for completed capital investments in software and facilities projects (+\$6.8 million); requirements on the storage capacity services contract (+\$4.3 million); contract cost

escalation for the Global Content Delivery Service (GCDS) (+\$2.2 million); transfer of software ownership and maintenance for ATAAPS from DFAS to DISA (+\$1.7 million); a full year of cost for operating the Fort Shafter Data Center (+\$1.6 million); and contract labor supporting the milCloud 2.0 service offering (+\$0.5 million). In addition, the Global Service Desk program is consolidated within Computing Services beginning FY 2019 (+\$12.3 million). The Global Service Desk provides warfighters, military components, mission partners, and other federal agencies with a single point of entry for service desk support and represents a zero-sum cost transfer within DISA. These increases are partially offset by reduced contract labor supporting the central privileged user authentication service to satisfy cybersecurity requirements for systems within the DISA Ecosystem and other miscellaneous reductions (-\$2.4 million).

Capital Investment Program Summary: Computing Services

(\$ in millions)	FY 2017*	FY 2018	FY 2019
Equipment	\$33.1	\$37.0	\$45.0
ADPE and Telecom	\$5.3	\$1.8	\$1.5
Software	\$12.4	\$14.5	\$5.8
Minor Construction	\$1.7	\$2.5	\$3.9
Total Program Authority	\$52.5	\$55.8	\$56.1
FY 2018 President's Budget	\$62.1	\$79.4	\$0.0
Change FY 2018 President's Budget to Current Estimates	-	(\$23.6)	-
Change FY 2018 Current Estimate to FY 2019 Current Estimate	-	-	\$0.3

*FY 2017 data are actual obligations.

FY 2018 President's Budget to FY 2018 Current Estimates:

There is a net decrease of \$23.6 million from the FY 2018 President's Budget. This decrease is due to the removal of a capital investment project for hardware providing Virtual Desktop Infrastructure (VDI).

FY 2018 Current Estimate to FY 2019 Current Estimate:

There is a \$0.3 net increase in capital requirements from FY 2018 to FY 2019. This is due to an increase in equipment purchases and minor construction for replacement equipment and facility improvements. This is mostly offset by Software decreases due to the completion of removal of several management tool projects.

Civilian Personnel

(\$ in millions)	FY 2017*	FY 2018	FY 2019
Civilian End Strength	1,682	1,812	1,838
Civilian Full Time Equivalents	1,671	1,775	1,816
Civilian Labor Cost	\$225.5	\$228.9	\$236.9

*Fiscal Year 2017 data are actual results.

Civilian end strength increases by 130 from FY 2017 to FY 2018 primarily due to filling of vacant positions to FY 2018 President's Budget levels to support Data Center operations. Additional increases in end strength support: Global Service Desk operations; operations of a new core Data Center, Fort Shafter; and personnel supporting new/expanded service offerings, including Forge.mil, SKIWeb, and ATAAPS.

Civilian end strength increases by 26 from FY 2018 to FY2019 due to the realignment of personnel to Computing Services to support Global Service Desk operations and support for new Core Data Centers in Fort Shafter, Yokota, and Bahrain.

Military Personnel

(\$ in millions)	FY 2017*	FY 2018	FY 2019
Military End Strength	10	5	6
Military Labor Costs	\$0.8	\$0.8	\$1.0

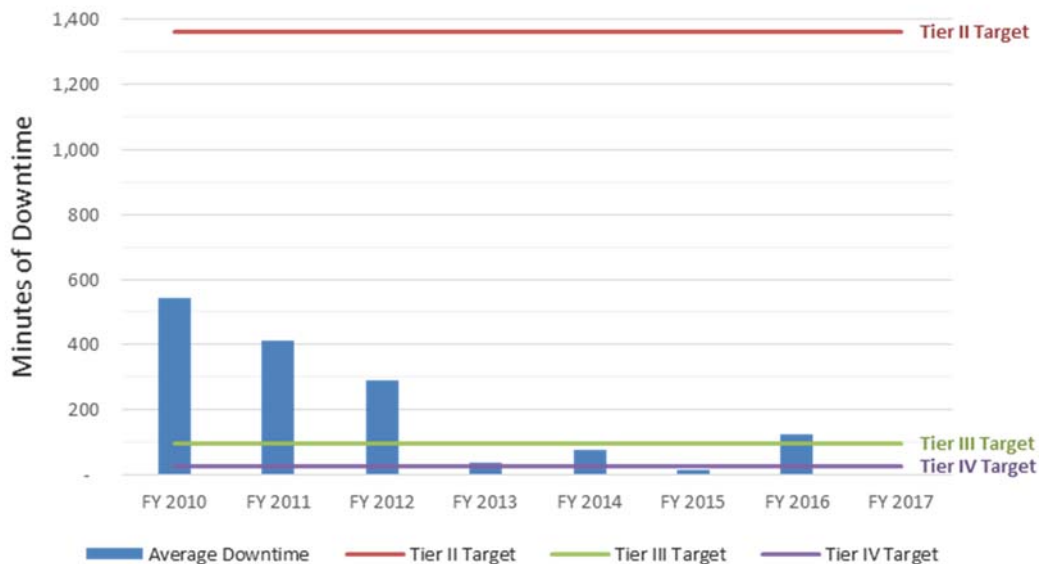
This submission represents the three year average fill rate for Computing Services in accordance with DoD financial policy.

Performance Measures

DISA’s information services play a key role in supporting the Department’s operating forces. As a result, DISA is held to high performance standards. In many cases, performance measures are detailed in Service Level Agreements (SLAs) with individual customers that exceed the general performance measures. The two metrics depicted in the subsequent tables reflect the availability of critical applications in the Data Centers.

Core Data Center Availability:

The “Core Data Center Availability” metric, 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 limits downtime to approximately 1,361 minutes per year. Tier III, the standard for all DoD-designated Core Data Centers, requires achieving 99.98% availability, which limits downtime to approximately 95 minutes per year.



Capacity Service Contract Equipment Availability:

The “Capacity Service Contract Equipment Availability” metric 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.

	Threshold	Objective	Actual
IBM System z Mainframe	99.95%	99.99%	100%
Unisys Mainframe	99.95%	99.99%	99.999%
P Series Server	99.95%	99.99%	100%
SPARC Server	99.95%	99.99%	100%
X86 Server	99.95%	99.99%	99.999%
Itanium	99.95%	>99.95%	99.994%
Storage	99.95%	>99.95%	99.999%
Communications Devices	99.95%	>99.95%	99.98%

Computing Services FY 2019 Rates

This submission includes a composite 6.0 percent rate decrease in FY 2019. DISA Computing Services' budget has two basic methods of cost recovery: stabilized fixed rates and direct reimbursement of actual cost. The charts below show the rates by category:

Mainframe Rates	FY 2018	FY 2019
* CPU Usage (Hour/Month)	\$439.8209	\$431.0245
* IBM LINUX (Hour/Month)	\$30.2049	\$29.6008
* IBM ZIIP CPU (Hour/Month)	\$404.3433	\$396.2564
* IBM Storage (GB/Day)	\$0.3263	\$0.3002
* IBM Long Term Storage (GB/Day)	\$0.2176	\$0.2002
* SUPS (Hour/Month)	\$17.2535	\$17.9747
* Unisys Storage (GB/Day)	\$21.2917	\$22.1817
Storage Rates (Monthly)	FY 2018	FY 2019
Enterprise Disk RAID 5 (GB/Month)	\$0.7101	\$0.6448
Enterprise Disk RAID 10 (GB/Month)	\$1.1723	\$1.0645
Tier 2 Disk RAID 5 (GB/Month)	\$0.3884	\$0.3527
Shared COOP (GB/Month)	\$0.5914	\$0.5370
Backup Service (GB/Month)	\$0.3976	\$0.3610
Dedicated COOP SAN Replication (GB/Month)	\$1.3344	\$1.2116
* Converged Backup Storage (GB/Month)	\$0.2500	\$0.2270
Reimbursable Service Rates	FY 2018	FY 2019
* Cyber Compliance - IBM Mainframe (Hour/Month)	\$2.62	\$1.51
* Cyber Compliance - Open Systems (OE/Month)	\$362.50	\$208.83
* Cyber Compliance - Unisys Mainframe (SUPS/Month)	\$0.24	\$0.14
* Vulnerability Management - Program (Program/Month)	\$825.01	\$825.01
* Vulnerability Management - Endpoints (Endpoints/Month)	\$28.27	\$28.27
* DISA Data Center Hosting - Admin (Sq Ft/Month)	\$7.41	\$7.41
* DISA Data Center Hosting - Limited (Sq Ft/Month)	\$16.25	\$16.25
* DISA Data Center Hosting - Qualified (Per Server/Month)	\$895.58	\$895.58
ATAAPS Rates	FY 2018	FY 2019
ATAAPS (Account/Month)	\$0.88	\$1.19

DoD Enterprise Email Rates	FY 2018	FY 2019
Enterprise Email - Business (Account/Month)	\$3.28	\$3.02
Enterprise Email - Mobile Devices (Device/Month)	\$2.75	\$2.53
Enterprise Email - Journaling (GB/Month)	\$0.40	\$0.37
* Enterprise Email - Premium (Account/Month)	\$10.90	\$10.03
* Enterprise Email - Executive (Account/Month)	\$19.64	\$18.07
* Enterprise Email - Senior Executive (Account/Month)	\$29.09	\$26.76
* Enterprise Email Implementation/Transition (per Account)	\$60.00	\$60.00
* Enterprise Email – Negligent Discharge of Classified Information (NDCI)	\$2,500	\$2,500
DoD Enterprise Portal Service Rates	FY 2018	FY 2019
* DEPS - Medium Shared NIPR (Per User/Month)	\$4.31	\$4.40
* DEPS - Small Shared SIPR (Per User/Month)	\$11.00	\$11.23
DEPS Implementation - Shared NIPR	\$26.06	\$26.06
DEPS Implementation - Shared SIPR	\$49.91	\$49.91
milCloud Rates	FY 2018	FY 2019
* milCloud - Base Unit (Per Unit/Day)	\$3.61	\$3.69
* milCloud - Storage (GB/Day)	\$0.0149	\$0.0152
* milCloud - Backup Storage (GB/Day)	\$0.0095	\$0.0097
* milCloud - Memory (2GB/Day)	\$0.73	\$0.75
* milCloud - Dedicated VPN (User Block/Day)	\$36.83	\$37.60
* milCloud - IaaS Log View (Edge Gateway/Day)	\$24.43	\$24.94
milCloud Plus (vCPU/Month)	\$252.00	\$225.00
* milCloud Implementation – Premium Engineering: Bronze (One Time)	\$1,646.00	\$1,680.57
* milCloud Implementation – Premium Engineering: Silver (One Time)	\$3,291.00	\$3,360.11
* milCloud Implementation – Premium Engineering: Gold (One Time)	\$8,229.00	\$8,401.81
* milCloud Implementation - Dedicated VPN (One Time)	\$277.22	\$277.22
* milCloud Implementation (One Time)	\$195.00	\$195.00
Forge.mil Rates	FY 2018	FY 2019
* Forge.mil - Project Forge Small (User/Month)	\$1,552.68	\$3,105.36
* Forge.mil - Project Forge Medium (User/Month)	\$3,881.70	\$7,763.40
* Forge.mil - Project Forge Large (User/Month)	\$15,526.78	\$31,053.56
* Forge.mil - Software Forge (Project/Month)	\$620.23	\$1,240.46
SKIWeb Rates	FY 2018	FY 2019
* SKIWeb (Per User/Month)	\$38.32	\$40.48
NEW Proposed Rate Offerings	FY 2018	FY 2019
** Storage as a Service (Usable GB/Month)	\$0.3000	\$0.3000

Server Rates	FY 2018	FY 2019
Basic Services Virtual (vCPU or Core/Month)	\$378	\$337
Basic Services - Converged x86 (vCPU/Month)	\$252	\$225
Basic Services - Converged OSC SPARC (OE/Month)	\$563	\$502
Basic Services Non-Standard Virtual (OE/Month)	\$1,238	\$1,104
Class 1 - Basic Services Physical (OE/Month)	\$2,144	\$1,912
Class 2 - Basic Services Physical (OE/Month)	\$2,865	\$2,556
Class 3 - Basic Services Physical (OE/Month)	\$3,161	\$2,820
SPARC LDOM Processor (Core/Month)	\$253	\$243
H/W Services Virtual SPARC Memory (GB/Month)	\$4.13	\$3.95
Class 1 - Physical SPARC Hardware (OE/Month)	\$1,675	\$1,605
Class 2 - Physical SPARC Hardware (OE/Month)	\$3,357	\$3,217
Class 3 - Physical SPARC Hardware (OE/Month)	\$8,614	\$8,269
Class 1 - Physical Itanium Hardware (OE/Month)	\$3,015	\$2,889
Class 2 - Physical Itanium Hardware (OE/Month)	\$4,120	\$3,948
Class 3 - Physical Itanium Hardware (OE/Month)	\$10,162	\$9,736
x86 VOE Processor (vCPU/Month)	\$74	\$71
H/W Services Virtual x86 Memory (GB/Month)	\$2.67	\$2.56
Class 1 - Physical x86 Hardware (OE/Month)	\$366	\$351
Class 2 - Physical x86 Hardware (OE/Month)	\$610	\$584
Class 3 - Physical x86 Hardware (OE/Month)	\$3,780	\$3,621
Virtual Itanium Oracle Database Software (Core/Month)	\$453	\$453
Class 1 - Itanium Oracle Database Software (OE/Month)	\$5,470	\$5,468
Class 2 - Itanium Oracle Database Software (OE/Month)	\$10,930	\$10,925
Class 3 - Itanium Oracle Database Software (OE/Month)	\$16,394	\$16,386
Virtual x86 & SPARC Oracle Database Software (vCPU or Core/Month)	\$227	\$226
Class 1 - x86 & SPARC Oracle Database Software (OE/Month)	\$2,733	\$2,732
Class 2 - x86 & SPARC Oracle Database Software (OE/Month)	\$5,460	\$5,457
Class 3 - x86 & SPARC Oracle Database Software (OE/Month)	\$8,197	\$8,197
Application Support (OE/Month)	\$947	\$947
Database Administration (OE/Month)	\$1,586	\$1,396
Database Administration Security Only (OE/Month)	\$158	\$139
* Server 24 x 7 Application Support	\$2,327	\$2,327
* Server 24 x 7 Database Administration	\$2,327	\$2,048
* Server 24 x 7 System Administration	\$465	\$428
* Server HW/SW Application Support – H/W Services Itanium IVMs (OE/Month)	\$1,250	\$1,250
* Server Implementation - Standard	\$8,623	\$8,623
* Server Implementation Converged - Physicals	\$7,759	\$7,759
* Server Implementation Converged - OSC SPARC Virtual	\$1,241	\$1,241
* Server Implementation Converged - x86 Virtual	\$4,733	\$4,733

* These services are unstabilized in FY18 and FY19 and may be updated in execution to recover actual costs.

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

Changes in the Costs of Operations
Defense Information Systems Agency
COMPUTING SERVICES
February 2018
(Dollars in Millions)

FY 2017	Actual	916.703
FY 2018	Estimate in FY 2018 President's Budget	967.471
	<i>Program Changes:</i>	
	Labor costs to support customer demand of Computing Services	20.151
	Increased cost required to operate, maintain, and modernize the Agency's IT Enterprise	13.754
	Increased period of dual operations during transition to new Communications Capacity Services contract	10.183
	Implementation of a central privileged user authentication service to satisfy cybersecurity requirements for systems within the DISA Ecosystem	5.622
	Increased cost to address emerging cyber security requirements	5.000
	Contract cost escalation for Global Content Delivery Service (GCDS)	4.502
	Updated projections for customer storage requirements on the capacity services contract	1.767
	Maintenance of new software tools required to provide DISA Computing Services	1.062
	Establishment of Fort Shafter as a Core Data Center and transfer to DISA ownership	0.837
	Decrease in depreciation costs due to timing of capital projects	(3.029)
	Delayed technology refresh for Defense Enterprise Email (DEE)	(1.967)
	Reduction in Capacity Services requirements to support the Virtual Desktop Infrastructure (VDI) program for the DISA Out-Of-Band management network	(7.651)
	Reduced contract labor supporting the Defense Enterprise Portal Service and the Global Service Desk	(3.788)
	Reductions in travel and overtime	(1.088)
	Miscellaneous	0.212
	<i>Workload Changes/New Service Offerings:</i>	
	Projected new customer workload, primarily to support hosting of Enterprise Resource Planning (ERP) software	20.566
	New Secure Cloud Computing Architecture service offering	7.075
	New Strategic Knowledge Integration Web (SKIWeb) service offering	1.658
	New Storage as a Service (STaaS) service offering	1.016
FY 2018	Current Estimate	1,043.353

Changes in the Costs of Operations
Defense Information Systems Agency
COMPUTING SERVICES
February 2018
(Dollars in Millions)

FY 2018	Current Estimate	1,043.353
	<i>Pricing Adjustments:</i>	
	Non-Labor Inflation	14.292
	Civilian/Military Pay Raise	0.015
	Annualization of Civilian/Military Pay Raise	1.164
	<i>Program Changes:</i>	
	Consolidation of costs supporting the Global Service Desk program (zero-sum within DISA)	12.279
	Increase in contract cost supporting Computing Services	0.738
	Labor costs to support customer demand of Computing Services	6.909
	Increased depreciation for completed capital investments in software and facilities projects	6.761
	Increase in contract costs for Storage Capacity Services	4.269
	Contract cost escalation for Global Content Delivery Service (GCDS)	2.218
	Transfer of ATAAPS software maintenance cost from DFAS to DISA	1.736
	Increase in costs for full year of operating Fort Shafter Data Center	1.584
	Contract labor increase for milCloud 2.0 service offering	0.532
	Decrease in contract labor supporting the central privileged user authentication services to support cybersecurity requirements for systems within the DISA Ecosystem	(1.982)
	Miscellaneous	(0.420)
	<i>Workload Changes/New Service Offerings:</i>	
	Projected new customer workload, primarily to support hosting of Enterprise Resource Planning (ERP) software	45.205
	New Defense Enterprise Office Solutions (DEOS) service offering	8.728
FY 2019	Current Estimate	1,147.381

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2018
(Dollars in Millions)**

	2017	2018	2019
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$556.866	\$631.402	\$756.275
ARMY APPROPRIATED	\$146.863	\$170.480	\$218.127
Army O&M	\$126.385	\$140.538	\$176.828
Army RDT&E	\$19.880	\$29.780	\$41.139
Army Procurement	\$0.598	\$0.162	\$0.160
Army MILCON	\$0.000	\$0.000	\$0.000
Army BRAC	\$0.000	\$0.000	\$0.000
NAVY APPROPRIATED	\$32.794	\$34.029	\$34.968
Navy O&M	\$31.341	\$32.463	\$32.845
Navy RDT&E	\$0.793	\$0.667	\$0.683
Navy Procurement	\$0.391	\$0.570	\$1.140
Navy MILCON	\$0.269	\$0.329	\$0.300
Navy BRAC	\$0.000	\$0.000	\$0.000
MARINE CORPS APPROPRIATED	\$23.690	\$24.180	\$23.650
Marine Corps O&M	\$23.690	\$24.180	\$23.650
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	\$125.023	\$146.714	\$149.426
AF O&M	\$116.678	\$135.651	\$139.419
AF RDT&E	\$7.773	\$10.900	\$9.840
AF Procurement	\$0.572	\$0.163	\$0.167
AF MILCON	\$0.000	\$0.000	\$0.000
AF BRAC	\$0.000	\$0.000	\$0.000
DISA APPROPRIATED	\$80.011	\$83.798	\$103.694
DISA O&M	\$79.610	\$83.357	\$103.255
DISA RDT&E	\$0.398	\$0.441	\$0.439
DISA Procurement	\$0.003	\$0.000	\$0.000
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DEFENSE WIDE APPROPRIATED	\$49.994	\$46.716	\$46.511
Defense Wide Appropriated O&M	\$49.262	\$46.486	\$46.091
Defense Wide Appropriated RDT&E	\$0.648	\$0.037	\$0.035
Defense Wide Appropriated Procurement	\$0.084	\$0.193	\$0.385
Defense Wide Appropriated MILCON	\$0.000	\$0.000	\$0.000
Defense Wide Appropriated BRAC	\$0.000	\$0.000	\$0.000
OTHER DoD APPROPRIATED	\$98.491	\$125.485	\$179.899

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2018
(Dollars in Millions)**

	2017	2018	2019
Other DoD Appropriated O&M	\$96.966	\$123.889	\$178.359
Other DoD Appropriated RDT&E	\$1.525	\$1.596	\$1.540
Other DoD Appropriated Procurement	\$0.000	\$0.000	\$0.000
Other DoD Appropriated MILCON	\$0.000	\$0.000	\$0.000
Other DoD Appropriated BRAC	\$0.000	\$0.000	\$0.000
b. ORDERS FROM DWCF/REVOLVING FUNDS	\$391.137	\$397.725	\$410.098
ARMY - WCF	\$0.266	\$0.166	\$0.212
Army Industrial Operations	\$0.266	\$0.166	\$0.212
NAVY - WCF	\$21.146	\$20.531	\$19.485
Navy Depot Maintenance	\$2.837	\$3.335	\$3.044
Navy Base Support	\$0.000	\$0.000	\$0.000
Navy Supply Management	\$12.032	\$11.281	\$10.734
Marine Corps Supply	\$0.000	\$0.000	\$0.000
Marine Corps Depot Maintenance WCF	\$0.072	\$0.085	\$0.081
Other Navy Activity Groups	\$6.205	\$5.830	\$5.626
AIR FORCE - WCF	\$30.903	\$31.912	\$31.212
Consolidated Sustainment Activity Group (CSAG)	\$13.086	\$13.471	\$13.335
US Transportation Command (TRANSCOM)	\$17.817	\$18.441	\$17.877
DEFENSE WIDE WCF	\$337.832	\$344.972	\$359.140
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	\$69.975	\$70.288	\$84.367
DISA Computing Services (CSD)	\$0.000	\$0.000	\$0.000
Defense Finance and Accounting Service (DFAS)	\$98.611	\$101.954	\$100.343
DLA Energy Management	\$0.000	\$0.000	\$0.000
DLA Defense Automated Printing Services (DAPS)	\$0.000	\$0.000	\$0.000
DLA Supply Chain Management	\$169.246	\$172.730	\$174.430
DEFENSE COMMISSARY AGENCY (DECA)	\$0.002	\$0.002	\$0.002
DECA Commissary Operations	\$0.002	\$0.002	\$0.002
DECA Commissary Resale	\$0.000	\$0.000	\$0.000
Other - Working Capital	\$0.982	\$0.137	\$0.047
OTHER REVOLVING FUNDS	\$0.006	\$0.005	\$0.000
Corps of Engineers	\$0.006	\$0.005	\$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	\$948.003	\$1,029.127	\$1,166.373
d. OTHER ORDERS	\$3.229	\$2.214	\$1.940

**Source of New Orders and Revenue
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2018
(Dollars in Millions)**

	2017	2018	2019
OTHER FEDERAL AGENCIES	\$3.229	\$2.214	\$1.940
TRUST FUNDS	\$0.000	\$0.000	\$0.000
FOREIGN MILITARY SALES	\$0.000	\$0.000	\$0.000
TOTAL NEW ORDERS	\$951.232	\$1,031.341	\$1,168.313
2. Carry In Orders	\$0.000	\$0.000	\$0.000
3. TOTAL GROSS ORDERS	\$951.232	\$1,031.341	\$1,168.313

Revenue and Expenses
Defense Information Systems Agency
PE54 COMPUTING SERVICES
February 2018
(Dollars in Millions)

	2017	2018	2019
Revenue			
Gross Sales	\$951.232	\$1,031.341	\$1,168.313
Operations	\$932.548	\$1,007.854	\$1,138.066
Capital Surcharge	\$0.000	\$0.000	\$0.000
Capital Investment Recovery (CIR)	18.684	23.487	30.247
Other Income	\$0.000	\$0.000	\$0.000
Refunds/Discounts (-)	\$0.000	\$0.000	\$0.000
Total Income:	\$951.232	\$1,031.341	\$1,168.313
Costs			
Cost of Material Sold from Inventory	\$0.000	\$0.000	\$0.000
Salaries and Wages:	\$226.320	\$229.733	\$237.853
Military Personnel Compensation & Benefits	\$0.779	\$0.785	\$0.965
Civilian Personnel Compensation & Benefits	\$225.541	\$228.948	\$236.888
Travel & Transportation of Personnel	\$1.521	\$1.577	\$1.643
Materials & Supplies (For internal Operations)	\$0.347	\$0.754	\$0.633
Equipment	\$0.000	\$0.000	\$0.000
Other Purchases from Revolving Funds	\$18.370	\$6.279	\$6.493
Transportation of Things	\$0.256	\$0.085	\$0.087
Capital Investment Recovery	18.684	23.487	30.247
Printing and Reproduction	\$0.006	\$0.019	\$0.020
Advisory and Assistance Services	\$0.000	\$0.000	\$0.000
Rent, Comm, Utilities, & Misc. Charges	233.759	244.318	263.577
Other Purchased Services	\$417.440	\$537.101	\$606.828
Total Costs	\$916.703	\$1,043.353	\$1,147.381
Operating Results	34.529	(12.012)	20.932
Less Capital Surcharge Reservation	\$0.000	\$0.000	\$0.000
Less Recover Other	\$0.000	\$0.000	\$0.000
+ Passthrough or Other App. Affecting NOR			
- Passthrough or Other App. not Affecting NOR			
Other Adjustments Affecting NOR	\$0.000	\$0.000	\$0.000
Net Operating Results	\$34.529	(\$12.012)	\$20.932
Prior Year AOR	(\$31.081)	\$3.448	(\$8.564)
Other Changes Affecting AOR	\$0.000	\$0.000	\$0.000
Total AOR	\$3.448	(\$8.564)	\$12.368
Retained AOR	\$0.000	\$0.000	\$0.000
Cumulative Retained AOR	\$0.000	\$0.000	\$0.000
AOR for Budget Purposes	\$3.448	(\$8.564)	\$12.368

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

FISCAL YEAR (FY) 2019 BUDGET ESTIMATES

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

The *Enterprise Acquisition Services* component is the Department's ideal source for procurement of best-value and commercially competitive information technology. Enterprise Acquisition Services provides contracting services for information technology and telecommunications acquisitions from the commercial sector and provides contracting support to the DISN programs, as well as to other DISA, DoD, and authorized non-Defense customers. These contracting services are provided through the DISA's Defense Information Technology Contracting Organization (DITCO) and include acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. Additionally, the Enterprise Acquisition Services component works very closely with DFAS to pay vendors and reconcile issues, in addition to executing mission partner billing. These services provide end-to-end support for the mission partner.

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

(\$ in millions)	FY 2017*	FY 2018	FY 2019
Revenue	\$6,017.8	\$6,580.7	\$7,358.2
Cost	\$6,074.2	\$6,652.6	\$7,417.1
Net Operating Result	(\$56.4)	(\$71.9)	(\$58.8)
Prior Year Accumulated Operating Results (AOR)	\$221.8	\$165.4	\$93.4
Total AOR	\$165.4	\$93.4	\$34.6
Retained AOR	\$0.0	\$0.0	\$0.0
Total Retained AOR	\$0.0	\$0.0	\$0.0
AOR for Budget Purposes	\$165.4	\$93.4	\$34.6
Capital Budget	\$3.7	\$34.5	\$19.1
Civilian Work years	1,136	1,232	1,239
Military End Strength	23	21	18

*Fiscal Year 2017 data are actual results.

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

Telecommunications Services Program Structure

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

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

DISN Infrastructure Services

The Defense Information Systems Network Infrastructure Services (DISN IS) represents a collection of core capabilities required to operate, maintain, and sustain the globally available DISN communications backbone infrastructure. The DISN IS cost recovery model is designed to allocate costs to mission partners based on consumption, using access circuit capacity as a proxy for measuring consumption. The circuits and associated capacity are pulled from the World-Wide Online System (WWOLS) database, which is transparent and accessible by all DoD components. Once the data is aggregated, each customer is assigned a share of the DISN IS bill based on their percent of the total capacity across all customers. The DISA analyzes consumption (as measured by access circuit capacity) quarterly and uses the average of the previous four quarters to set future DISN IS allocations. The rate model does not count Multi-Protocol Label Switching (MPLS) connections and associated capacity as part of the allocation methodology. These connections are intentionally omitted to incentivize rapid adoption of the technology across the Department. Once the DISA has fully transitioned the DISN backbone to MPLS technology, this allocation methodology will be reviewed to determine if it is more appropriate to use the actual customer usage data MPLS provides as the basis for future allocations.

DISN Infrastructure Services cost elements are described below:

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

This budget includes growth from the FY 2018 President's Budget for an increase in circuit costs supporting user demand and major DoD initiatives, including Multiprotocol Label Switching (MPLS), Internet Protocol Transport-Provider Edge (IPT-PE) routers, increases of DISN backbone trunk capacities to 100G, expansion of the network to meet critical missions and global threats with increased survivability and diversity, and additional circuits in Southwest Asia supporting Operation Inherent Resolve (OIR). Circuits supporting OIR will be reimbursed separately with Overseas Contingency Operations funding and are not included in the price for DISN IS. This budget also assumes growth in maintenance costs due to ongoing implementation of large-scale enterprise workloads as well as funding a portion of the Global Content Delivery Service (GCDS), the enterprise content caching capability that minimizes download times and increases connection speed by forward-staging information to bring web content and applications closer to the end-user.

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

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

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

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

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

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

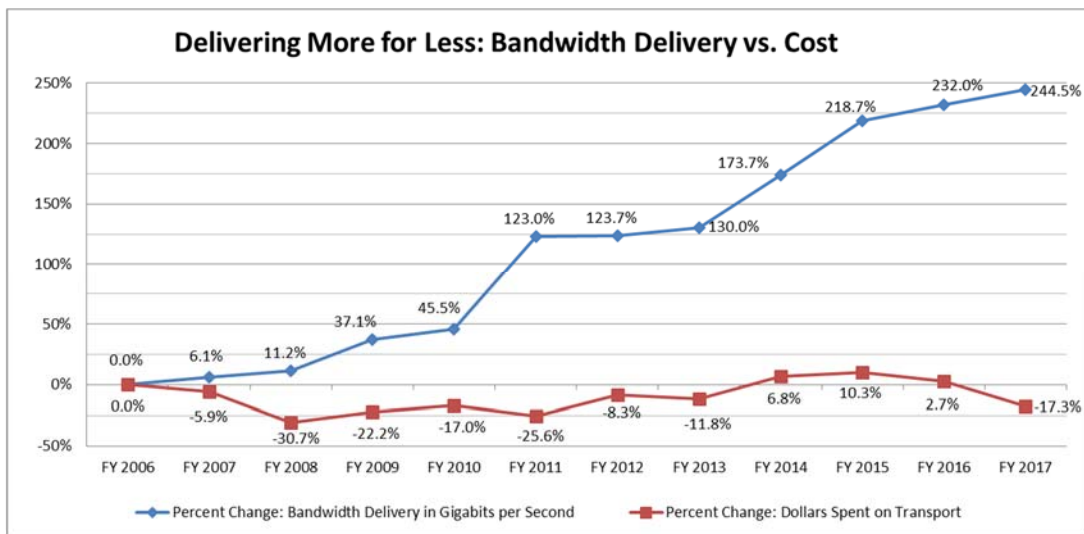
Operational Support Services includes network operations, network management, and centralized provisioning functions. Network Operations provides the trained personnel for tier I and II network support at the DISA NetOps centers located throughout the world. Network Management provides the tools necessary to automate the operations, administration, maintenance, and provisioning/engineering activities for the DISN. These same tools give network managers/monitors the capability to “see” the network in real-time, a critical capability necessary to resolve crises and other network events. Centralized provisioning provides order entry, order preparation, solution design, and service activation support. This submission includes the operations, maintenance, and sustainment costs for the transport infrastructure in Korea beginning in FY 2019.

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

TS/EAS Trends: Increased Customer Demand for Network Services

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

In spite of this continuing upward trend in demand, DISA has delivered transport services at an overall cost decrease to mission partners, as shown in the subsequent chart:



As shown in the previous chart, since FY 2006, DISA has increased transport bandwidth delivery capacity almost 244.5 percent to meet customer demand. The increase is driven by internet traffic, DoD Enterprise Services, full motion video collaboration, and Intelligence, Surveillance and Reconnaissance (ISR) requirements. Over the same timeframe, transport costs associated with the physical connections between sites such as management, software, maintenance and installation have decreased by 17.3 percent. Additionally, DISA has been able to keep these costs down without any degradation in service. The DISN continues to meet or exceed network performance goals for circuit availability and latency, two key performance metrics.

DISN Reimbursable Services

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

(\$ in millions)	FY 2017*	FY 2018	FY 2019
Commercial Satellite Services (FSS and MSS)	\$491.4	\$517.7	\$516.7
Enhanced Mobile Satellite Services (Iridium)	\$133.0	\$148.6	\$148.4
Customer-unique Projects	\$81.8	\$72.0	\$83.8
Global Video Services (GVS)	\$26.3	\$24.2	\$26.1
Defense Switched Network (DSN)	\$15.2	\$0.0	\$0.0
Pacific Enterprise Services – Hawaii (PES-HI)	\$16.0	\$13.5	\$13.1
Pacific Enterprise Services – Korea (PES-K)	\$0.1	\$9.3	\$3.2
Organizational Messaging	\$19.9	\$19.5	\$19.5
Mobility	\$6.0	\$13.1	\$14.9
Public Key Infrastructure - Service to Other Federal Agencies	\$0.7	\$3.6	\$3.7
Security and Assurance Services	\$37.9	\$42.9	\$43.6
Defense Continuity of Operations Integrated Network	\$2.5	\$3.2	\$3.3
Cross Domain Services	\$1.9	\$3.7	\$3.8
SIPRNet FED DMZ	\$0.6	\$1.0	\$1.2
SWA Overseas Contingency Operations	\$34.7	\$74.3	\$82.5
Other Reimbursable Services	\$0.9	\$3.3	\$2.7
Total DISN Reimbursable Costs	\$869.0	\$949.8	\$966.4

*Fiscal Year 2017 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 (FSS) and mobile satellite services (MSS).

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

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

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

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

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

Pacific Enterprise Services – Hawaii (PES-HI) is an IP-based converged network providing voice, video, and data services to military bases in the state of Hawaii. The PES-HI reimbursable service reflects the dedicated provisioning and transmission services within and between the military installations in Hawaii. Those cost that are inherent to the expansion of DISN service delivery nodes and backbone are reflected in the DISN Infrastructure Services budget.

Pacific Enterprise Services – Korea (PES-K) is a partnership between the DISA and the Army to modernize the Korean DISN Transport Metropolitan Area Network. The DISA will operate, manage, sustain, accredit, maintain, and secure Army-owned encryptors and routers on a reimbursable basis.

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

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

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

Security and Assurance Services enhance the security and availability of the DODIN by ensuring adherence to Information Assurance and Network Operations policies. Certain services are

provided as stand-alone offerings, while others are bundled. Examples of services requiring direct reimbursement include the certification of systems, Cyberspace Defense Service Provider (CDSP) inspections, IA readiness reviews, and malware analysis.

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

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

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

The ***SWA Overseas Contingency Operations*** reflects additional circuits in Southwest Asia supporting Operation Inherent Resolve (OIR). Circuits supporting OIR will be reimbursed separately with Overseas Contingency Operations funding.

Enterprise Acquisition Services

The primary mission of the Enterprise Acquisition Services (EAS) component is to meet Department of Defense (DoD) and authorized non-defense customers' requirements for telecommunications and information technology (IT) products and services from the worldwide commercial sector through flexible, innovative, and responsive acquisition actions. The Enterprise Acquisition Services component encompasses a variety of support services to meet information technology contract requirements and provides contract support to all DISN services. The mission also includes acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. Additionally, the Enterprise Acquisition Services component works very closely with DFAS to pay vendors and reconcile issues, in addition to executing mission partner billing. These services provide end-to-end support for the mission partner.

This budget submission reflects moderate levels of growth in mission partner requirements for FY 2019. Also, two major contract transitions are reflected in this budget submission. Workload will transition from the ENCORE II contract to the new ENCORE III contract and from the Networkx contract to the new Enterprise Infrastructure Solutions (EIS) contract for information technology and telecommunications requirements.

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

(\$ in Millions)	FY 2017*	FY 2018	FY 2019
Army	\$1,121.2	\$1,068.5	\$1,223.5
Navy	\$358.7	\$357.0	\$408.7
Air Force	\$368.3	\$319.1	\$364.3
Defense Agencies	\$2,012.5	\$2,577.1	\$3,004.6
Other DOD	\$52.9	\$74.9	\$79.6
Other Federal and Non-Federal Agencies	\$105.8	\$108.4	\$142.8
Total Gross Orders	\$4,019.4	\$4,505.0	\$5,223.5

*Fiscal Year 2017 data are actual results.

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

Joint Enterprise License Agreements provide economies of scale to the DoD when purchasing software licenses. The DISA has assumed a large business volume with relatively small contracting costs, which allows DISA to offer this service at a rate lower than the standard DITCO fee-for-service. Beginning FY 2018, customers will be charged a 0.25 percent rate for utilizing these agreements, which is a 50 percent reduction from the FY 2017 rate. Customers are still slow in adopting this service; however, DISA anticipates a gradual increase in demand.

Operating costs of \$137.8 million in FY 2019 fund the civilian salaries, accounting support—including large-scale invoice processing—and contracting and financial support systems to execute the IT and telecommunications contracting activities described above. In addition, the operating cost will also fund the sustainment of a new cost accounting system for TS/EAS. The new accounting system will provide additional cost granularity, improve business processes and provide the capability to produce a single set of financial statements for the Information Services Activity Group. All operating costs are recovered via fees charged to customers.

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

(\$ in millions)	FY 2017*	FY 2018	FY 2019
FY 2018 President's Budget	\$7,226.0	\$7,657.9	-
FY 2019 Current Estimates	\$6,074.2	\$6,652.6	\$7,417.1
Change FY 2018 President's Budget to Current Estimate	(\$1,151.8)	(\$1,005.3)	-
Change FY 2018 Current Estimate to FY 2019 Current Estimate	-	-	\$764.5

*Fiscal Year 2017 data are actual results.

FY 2018 President's Budget Submission to FY 2018 Current Estimates

Total cost of sales for the *Telecommunications Services* and *Enterprise Acquisition Services* components decreases by -\$1,005.3 million from the FY 2018 President's Budget.

This budget includes a \$78.2 million increase in the cost of DISN circuits supporting user demand and major DoD initiatives. These initiatives include implementation of Multiprotocol Label Switching (MPLS) technology, upgrades to Internet Protocol Transport-Provider Edge (IPT-PE) routers, increases of DISN backbone trunk capacities to 100G, expansion of the network to meet critical missions and threats with increased survivability and diversity, and additional circuits in Southwest Asia supporting Operation Inherent Resolve (OIR). These network expansion activities drive increased maintenance of DISN equipment (+\$4.9 million). This budget also increases the DWCF contribution to support capabilities required to operate, maintain, and modernize the Agency's IT enterprise (+\$3.9 million). There are also increases included for other network services capabilities, including maintenance of Joint Regional Security Stacks (+5.5 million), optimization of the Enterprise Voice over IP (EVoIP) infrastructure (+2.5 million), upgrades to the order entry system software (+2.0 million), increased personnel to support expanded cyber missions (+\$0.9 million); and other support costs (+0.3 million). In addition, a new capability, the Boundary Cloud Access Point, has been included to provide mission partners secure access to the commercial cloud environment (+\$8.2 million). There are also increases in cost supporting other reimbursable telecommunications services including: a new service offering providing operations, maintenance, and sustainment of the Korean transport network (+\$9.3 million); increased demand for mobility and security and assurance services (+\$8.4 million); additional personnel to support expanded cyber operations and risk management activities as well as support to the White House Communications Agency (+\$4.9 million); efficiencies studies for utilization of commercial satellite services (+\$2.9 million); and personnel increases supporting demand for existing services (+\$6.2 million).

These increases are offset by a significant decrease in projected demand for pass-through contracts awarded by the Defense Information Technology Contracting Organization (DITCO) and the operating costs required to support that customer workload (-\$1,137.8 million). Demand for pass-through contracts is increasing year-to-year, but at a lesser rate than projected in the

FY 2018 President's Budget. The consolidation of PKI architecture also resulted in a savings of -\$0.8 million.

FY 2018 Current Estimate to FY 2019 Current Estimate

Total cost of sales for the *Telecommunications Services* and *Enterprise Acquisition Services* components increases by +\$764.5 million from the FY 2018 Current Estimate to the FY 2019 Current Estimate.

Increased workload projections for the pass through-information technology contracting services and associated labor costs account for +\$644.1 million of the cost increase as well as inflation adjustments of +\$111.1 million. This budget funds a portion of the Global Content Delivery Service (GCDS), the enterprise content caching capability, within the DISN IS (+\$17.8 million). Other cost increases include: the re-estimation of customer workload for various DISN reimbursable services (+9.0 million); depreciation expenses for the new DWCF financial system and the traditional contract writing system (+\$7.0 million); the incorporation of operations, maintenance, and sustainment costs for transport infrastructure in Korea into the DISN Infrastructure Services recovery model (+5.9 million); increased circuit transition workload to eliminate point-to-point leases and divest legacy network platforms (+\$2.8 million); growth in operational requirements at DISA Network Operations Centers resulting from expansion of the network (+\$2.3 million); deployment of PKI Increment 2 capabilities like a Token Management System, NIPRNet Enterprise Alternate Token System, Non-Person Entity and 24x7 EIS support (+\$2.0 million); capital depreciation for Global Video Service (GVS) and FED DMZ (+\$1.9 million); increased hardware/software maintenance for cybersecurity perimeter defenses (+\$0.9 million); an increase to Cyber Analytics and Enterprise Cross Domain support (+\$0.8 million); and increased testing support provided by the Joint Interoperability Test Command (JITC) for new Endpoint Security Solutions (+\$0.5 million).

These increases are partially offset by an overall reduction in bandwidth costs from transitioning to the new Global Network Services (GNS) transport delivery contract, elimination of low-speed time-division multiplexing (TDM) circuits, and other DISN Evolution initiatives (-\$13.2 million). Another offset is the transfer of customer edge routers to Army ownership and removal of associated maintenance costs from the DISN IS (-\$12.8 million). There are also several efficiencies including: utilization and monitoring studies of commercial satellite services (-\$10.3 million); completion of EVoIP infrastructure optimization (-\$1.7 million); reduced costs to support the Boundary Cloud Access Point (BCAP) (-\$1.2 million); efficiencies in DISA StoreFront operations (-\$0.9 million); updated cost projections for Joint Regional Security Stacks (JRSS) hosting requirements (-\$0.3 million); and other miscellaneous efficiencies (-\$1.2 million).

Capital Investment Program Summary

(\$ in millions)	FY 2017*	FY 2018	FY 2019
Equipment	\$0.0	\$0.8	\$0.9
ADPE and Telecom	\$3.2	\$25.0	\$16.1
Software	\$0.5	\$8.7	\$2.1
Minor Construction	\$0.0	\$0.0	\$0.0
Total Program Authority	\$3.7	\$34.5	\$19.1
FY 2018 President's Budget	\$9.9	\$24.2	-
Change FY 2018 President's Budget to Current Estimates	-	\$10.3	-
Change FY 2018 Current Estimate to FY 2019 Current Estimate	-	-	(\$15.4)

*Fiscal Year 2017 data are actual obligations.

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

FY 2018 President's Budget to FY 2018 Current Estimates

The FY 2018 capital authority increases by \$10.3M to address compatibility of systems interfacing with the New Financial System, replace of end-of-life equipment at the EMSS Gateway, replace routers and email gateways for the Secret IP Router Network (SIPRNet) Federal DMZ (FED-DMZ) infrastructure, and update/replace video teleconferencing equipment included in the Global Video Services (GVS) infrastructure. This is partially offset by the elimination of the EMSS Competitive Initiatives project and the reduction of the EMSS Gateway Satellite Timing and Location (STL) project.

FY 2018 Current Estimates to FY 2019 Current Estimates

The FY 2019 capital authority request includes a request for additional funding for the Gateway Evolution project and equipment upgrades/replacements in the infrastructure for SIPR FED DMZ and GVS. Also included is obligation authority to support potential post deployment changes to both the new contract writing system, IDEAS, as well as the modernization of the DISA's DWCF accounting system.

Civilian Manpower

(\$ in millions)	FY 2017*	FY 2018	FY 2019
Civilian End Strength	1,139	1,290	1,288
Civilian Full Time Equivalents	1,136	1,232	1,239
Civilian Labor Cost	\$149.8	\$164.3	\$165.8

*Fiscal Year 2017 data are actual results.

Civilian manpower increases from FY 2017 to FY 2018 by 96 full time equivalents (FTEs) and is mainly attributable to filling of vacant positions to FY 2018 President's Budget levels to support both delivery of DISN services (+33) and DITCO contracting workload (+35). Additional FTE increases are due to: growth in customer demand for cyber inspections and risk assessments (+15); staffing for the Global Video Service (GVS) to provide contract and property oversight, information systems security officers, and engineers (+10); and increased provisioning support resulting from growth in mobility device users (+3).

Civilian manpower increases by 7 FTEs in FY 2019 mainly to support increased pass-through contracting workload awarded by the DITCO.

Military Manpower

(\$ in millions)	FY 2017	FY 2018	FY 2019
Military End Strength	23	21	18
Military Labor Cost	\$1.9	\$1.9	\$1.8

A three year average fill rate is used to budget for military personnel, which accounts for the slight decrease from FY 2018 to FY 2019.

Performance Measures

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

Telecommunications Services Performance Measures

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

SERVICE OBJECTIVE	FY 2017 Actual	FY 2018 Operational Goal	FY 2019 Operational Goal
Non-Secure Internet Protocol Router Network access circuit availability	99.60%	98.50%	98.50%
Secure Internet Protocol Router Network latency (measurement of network delay) in the continental United States	222.55 milliseconds	Not to exceed 350 milliseconds	Not to exceed 350 milliseconds
Defense Red-Switch Network switch availability	99.80%	99.5%	99.5%

Enterprise Acquisition Services Performance Measures

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

SERVICE OBJECTIVE	FY 2017 Actual	FY 2018 Operational Goal*	FY 2019 Operational Goal*
Percent of total eligible contract dollars competed	74.00%	73.00%	73.00%
Percent of total eligible contract dollars awarded to small businesses	28.20%	28.00%	28.00%

*FY 2018 and FY 2019 goals for percent of total eligible contract dollars competed are estimates based on the released FY 2017 goal. The goals have not yet been released by the Defense Procurement Acquisition Policy (DPAP).

Rates

Below are the proposed rates for FY 2018 and FY 2019. All rates exclude the 2.50% DITCO contracting fee.

DISN Infrastructure Services

The DISN IS cost recovery model uses access circuit capacity as a proxy for measuring consumption. The subsequent table shows the FY 2018 and FY 2019 allocation by customer. Total revenue increases by 1.18% in FY 2019.

DISN Infrastructure Services Customer Allocation:

Agency Type	Customer	FY 2018			FY 2019		
		Mbps	% Allocation	Mission Partner Bill	Mbps	% Allocation	Mission Partner Bill
MILDEP	Air Force	401,622	32.2281%	\$ 314,472,172	503,206	33.7202%	\$ 332,905,429
MILDEP	Army	422,058	33.8680%	\$ 330,473,891	477,858	32.0216%	\$ 316,135,741
MILDEP	Marine Corps	25,753	2.0666%	\$ 20,165,083	43,785	2.9341%	\$ 28,967,098
MILDEP	Navy	210,052	16.8556%	\$ 164,471,747	284,373	19.0560%	\$ 188,132,275
Defense Agency	Advanced Research Projects Agency	1,339	0.1074%	\$ 1,048,444	1,414	0.0948%	\$ 935,563
Defense Agency	Defense Commissary Agency	145	0.0116%	\$ 113,536	138	0.0092%	\$ 91,005
Defense Agency	Defense Contract Audit Agency	577	0.0463%	\$ 451,794	610	0.0409%	\$ 403,557
Defense Agency	Defense Contract Management Agency	432	0.0347%	\$ 338,258	869	0.0583%	\$ 575,231
Defense Agency	Defense Finance and Accounting Service	3,392	0.2722%	\$ 2,655,954	3,426	0.2296%	\$ 2,266,332
Defense Agency	Defense Information Systems Agency	34,840	2.7957%	\$ 27,279,648	39,276	2.6319%	\$ 25,983,998
Defense Agency	Defense Logistics Agency	21,754	1.7456%	\$ 17,033,495	22,646	1.5175%	\$ 14,981,690
Defense Agency	Defense Media Activity	2,089	0.1676%	\$ 1,635,698	2,118	0.1419%	\$ 1,401,292
Defense Agency	Defense Security Service	708	0.0568%	\$ 554,368	319	0.0214%	\$ 211,257
Defense Agency	Defense Telephone Service	3	0.0002%	\$ 2,349	59	0.0039%	\$ 38,810
Defense Agency	Defense Threat Reduction Agency	4,370	0.3507%	\$ 3,421,733	3,908	0.2619%	\$ 2,585,224
Defense Agency	DoD Education Agency	14	0.0011%	\$ 10,962	52	0.0035%	\$ 34,100
Defense Agency	DoD Inspector General	332	0.0266%	\$ 259,958	335	0.0224%	\$ 221,451
Defense Agency	DoD-SACA	121	0.0097%	\$ 94,744	152	0.0102%	\$ 100,511
Defense Agency	Joint Chiefs of Staff	47,494	3.8112%	\$ 37,188,048	44,932	3.0109%	\$ 29,725,692
Defense Agency	Defense Health Agency	30,322	2.4332%	\$ 23,742,283	14,465	0.9693%	\$ 9,569,458
Defense Agency	Missile Defense Agency	2,149	0.1724%	\$ 1,682,678	9,545	0.6396%	\$ 6,314,730
Defense Agency	Office of the Secretary of Defense	32,126	2.5779%	\$ 25,154,825	33,834	2.2673%	\$ 22,383,651
Defense Agency	Other	140	0.0112%	\$ 109,621	319	0.0214%	\$ 211,257
Non-DoD	Canadian Forces Communication System	14	0.0011%	\$ 10,962	20	0.0013%	\$ 13,144
Non-DoD	Department of Commerce	56	0.0045%	\$ 43,848	91	0.0061%	\$ 60,213
Non-DoD	Department of Energy	143	0.0115%	\$ 111,970	318	0.0213%	\$ 210,448
Non-DoD	Department of Homeland Security	110	0.0088%	\$ 86,131	156	0.0105%	\$ 103,492
Non-DoD	Department of Justice	356	0.0286%	\$ 278,750	356	0.0238%	\$ 235,376
Non-DoD	Department of State	1,809	0.1452%	\$ 1,416,456	1,860	0.1246%	\$ 1,230,284
Non-DoD	Drug Enforcement Agency	83	0.0067%	\$ 64,989	2	0.0001%	\$ 1,191
Non-DoD	Federal Aviation Administration	6	0.0005%	\$ 4,698	11	0.0007%	\$ 7,257
Non-DoD	Federal Bureau of Investigation	104	0.0083%	\$ 81,433	48	0.0032%	\$ 31,813
Non-DoD	National Aeronautics & Space Administration	5	0.0004%	\$ 3,915	5	0.0003%	\$ 3,064
Non-DoD	Nuclear Regulatory Commission	2	0.0002%	\$ 1,566	2	0.0001%	\$ 1,021
Non-DoD	US Coast Guard	1,659	0.1331%	\$ 1,299,006	1,790	0.1200%	\$ 1,184,322
Non-DoD	US Postal Service	5	0.0004%	\$ 3,915	2	0.0001%	\$ 1,021
	Total	1,246,185	100.0000%	\$ 975,768,925	1,492,299	100.0000%	\$ 987,258,000

DISN Reimbursable Services

Global Video Services (GVS)

Pricing for Global Video Services (GVS) is set annually and is based upon the proportion of multipoint control units (MCUs) and room systems aligned to each Requesting Agency. A Room System/Endpoint is an appliance on a network that can connect GVS video teleconferencing (VTC) via Integrated Services Digital Network (ISDN) or Internet Protocol (IP), and are typically used to provide VTC connection from small, medium, and large conference rooms. An MCU is an appliance that manages multiple GVS endpoints at once, coordinates their video data processing functions, and forwards their flow of media streams between them. Annual prices for GVS services in FY 2018 are provided subsequently:

GVS Rates	FY 2017	FY 2018	FY 2019
Air Force	\$10,726,264.13	\$8,937,965.29	TBD
Army	\$13,456,883.21	\$12,543,805.07	TBD
DISA	\$1,569,697.19	\$1,492,349.80	TBD
Marine Corps	\$343,371.26	\$270,236.32	TBD
Navy	\$1,013,762.77	\$923,643.52	TBD
TOTAL	\$27,109,978.56	\$24,168,000.00	TBD

Security and Assurance Services

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

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

Additional detail is provided in the subsequent table:

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

DoD Mobility

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

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

DoD Mobility Rates	FY 2017	FY 2018	FY 2019
Unclassified Device	\$7.36	\$4.20	TBD
SIPR Device	\$126.63	\$57.61	TBD
Top Secret Device	--	--	TBD

Cross Domain Services

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

Cross Domain Rates	FY 2017	FY 2018	FY 2019
New Filter Implementation	\$176,885	\$179,499	TBD
Monthly Sustainment	\$6,027	\$6,000	TBD

Commercial Satellite Communications Services

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

Commercial Satellite Services Rates	FY 2017	FY 2018	FY 2019
Standard Rate	2.99%	2.99%	TBD

Enterprise Acquisition Services Rate

The standard fee-for-service contracting rate remains at 2.50 percent in FY 2019. The DISA has lowered the rate for customers utilizing Joint Enterprise License Agreement contracts to 0.25 percent beginning FY 2018. DISA is able to provide the Department with economies of scale on these large, joint enterprise licensing contracts, one of the goals of the Department's IT efficiencies roadmap. The decentralized ordering fee for non-DoD components placing an order against the JELAs has also been lowered to 0.10 percent beginning FY 2018.

Contracting Rates	FY 2017	FY 2018	FY 2019
Standard Fee-for-Service	2.50%	2.50%	2.50%
Joint Enterprise License Agreements (JELAs)	0.50%	0.25%	0.25%
JELA Decentralized Ordering Fee	0.25%	0.10%	0.10%

Changes in the Costs of Operations
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FY 2017	Actual	6,074.208
FY 2018	Estimate in FY 2018 President's Budget	7,657.942
	Increase in circuit costs supporting user demand and major DoD initiatives, including: Multiprotocol Label Switching (MPLS); Internet Protocol Transport-Provider Edge (IPT-PE) routers; increases of DISN backbone trunk capacities to 100G; expansion of the network to meet critical missions and threats with increased survivability and diversity, and additional circuits in Southwest Asia supporting Operation Inherent Resolve (OIR)	78.206
	Increases to provide secure access to the commercial cloud environment through the Boundary Cloud Access Point (BCAP)	8.231
	Increase in hardware/software maintenance costs for Joint Regional Security Stacks (JRSS)	5.522
	Increase in maintenance costs on DISN backbone equipment	4.900
	Increase to support capabilities required to operate, maintain, and modernize the Agency's IT enterprise	3.850
	Optimization of Enterprise Voice over IP (EVoIP) infrastructure	2.540
	Upgrade to the software for DISA StoreFront (customer order entry system)	2.036
	Increased civilian personnel to support expanded cyber mission for Endpoint Security Solutions and Perimeter Defense	0.867
	Consolidation of Public Key Infrastructure (PKI) architecture	(0.781)
	Other DISN support costs	0.301
	New Pacific Enterprise Service-Korea (PES-K) telecommunications service offering provided to Army	9.270
	Increase to staffing using the Personnel Force Innovation (PFI) program in support of White House Communications Agency (WHCA) as well as additional civilian personnel to support expanded cyber operations and risk management activities	4.884
	Increased demand for Mobility services and Security and Assurance services	8.418
	Increases for bandwidth monitoring and utilization studies aimed at reducing the overall cost of commercial satellite communications	2.934
	Increased staffing for Global Video Services (GVS) to provide contract and property oversight, information systems security officers, and engineers	1.306
	Decreased workload projections for pass-through IT contracting	(1,118.331)
	Decreased workload projections for pass-through Non-DISN telecommunications services	(14.718)
	Efficiencies in operating costs supporting Enterprise Acquisition Services	(4.751)
FY 2018	Current Estimate	6,652.626

Changes in the Costs of Operations
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FY 2018	Current Estimate	6,652.626
	<i>Pricing Adjustments:</i>	
	Non-labor Inflation	110.196
	Civilian/Military Pay Raise	0.037
	Annualization of Civ/Mil Pay Raise	0.842
	<i>Efficiencies:</i>	
	Overall reduction in bandwidth costs from transitioning to the new Global Network Services (GNS) transport delivery contract, elimination of low-speed time-division multiplexing (TDM) circuits, and other DISN Evolution initiatives	(13.217)
	Transfer of customer edge routers to Army ownership and removal of associated maintenance costs from DISN Infrastructure Services	(12.788)
	Efficiencies generated from utilization and monitoring studies of commercial satellite services	(10.333)
	Completion of EVoIP infrastructure optimization	(1.667)
	Reduced costs supporting the Boundary Cloud Access Point (BCAP)	(1.159)
	Efficiencies in DISA StoreFront operations	(0.902)
	Updated cost projections for Joint Regional Security Stacks (JRSS) hosting requirements	(0.301)
	Miscellaneous efficiencies	(1.244)
	<i>Program Changes:</i>	
	Incorporation of the enterprise content caching capability Global Content Delivery Service (GCDS) into the DISN Infrastructure Services	17.814
	Incorporation of operations, maintenance, and sustainment costs for transport infrastructure in Korea into the DISN Infrastructure Services recovery model	5.917
	Increased circuit transition workload to eliminate point-to-point leases and divest legacy network platforms	2.756
	Growth in operational requirements at the DISA NetOps Centers resulting from the continued expansion of the network	2.330
	Deployment of PKI Increment 2 Capabilities like Token Mgmt System, NIPRNet Enterprise Alternate Token System, Non-Person Entity and 24x7 EIS support	1.985
	Increased hardware/software maintenance for cybersecurity perimeter defenses	0.848
	Increased testing support provided by the Joint Interoperability Test Command (JITC) for new Endpoint Security Solutions	0.484
	Increase to Cyber Analytics and Enterprise Cross Domain support	0.846
	Capital depreciation for Global Video Services (GVS) and FED DMZ	1.860
	Re-estimation of customer workload for various DISN reimbursable services	8.997
	Increased workload projections for pass-through information technology contracting services	641.620
	Depreciation expenses for the new DWCF financial system and traditional contracting writing system	7.044
	Labor costs supporting increased pass-through contracting workload	2.479
FY 2019	Current Estimate	7,417.070

Source of New Orders and Revenue
Defense Information Systems Agency
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	2017	2018	2019
1. New Orders			
a. ORDERS FROM DoD COMPONENTS	\$5,076.052	\$5,790.752	\$6,381.309
ARMY APPROPRIATED	\$1,839.125	\$1,834.262	\$1,975.675
Army O&M	\$1,697.251	\$1,711.586	\$1,834.405
Army RDT&E	\$39.327	\$55.325	\$57.655
Army Procurement	\$101.828	\$67.306	\$83.561
Army MILCON	\$0.719	\$0.045	\$0.054
Army BRAC	\$0.000	\$0.000	\$0.000
NAVY APPROPRIATED	\$537.580	\$535.688	\$599.476
Navy O&M	\$498.473	\$490.487	\$543.733
Navy RDT&E	\$1.349	\$0.659	\$0.805
Navy Procurement	\$37.497	\$44.057	\$54.320
Navy MILCON	\$0.261	\$0.485	\$0.618
Navy BRAC	\$0.000	\$0.000	\$0.000
MARINE CORPS APPROPRIATED	\$85.414	\$79.615	\$94.118
Marine Corps O&M	\$85.414	\$79.615	\$94.118
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	\$939.612	\$915.183	\$972.956
AF O&M	\$939.479	\$914.993	\$972.763
AF RDT&E	\$0.065	\$0.153	\$0.155
AF Procurement	\$0.068	\$0.037	\$0.038
AF MILCON	\$0.000	\$0.000	\$0.000
AF BRAC	\$0.000	\$0.000	\$0.000
DISA APPROPRIATED	\$1,213.206	\$2,019.813	\$2,296.816
DISA O&M	\$894.603	\$1,661.381	\$1,869.218
DISA RDT&E	\$116.878	\$148.770	\$167.991
DISA Procurement	\$201.725	\$209.662	\$259.607
DISA MILCON	\$0.000	\$0.000	\$0.000
DISA BRAC	\$0.000	\$0.000	\$0.000
DIA APPROPRIATED	\$11.871	\$8.355	\$8.560
DIA O&M	\$11.871	\$8.355	\$8.560
DIA RDT&E	\$0.000	\$0.000	\$0.000
NGA APPROPRIATED	\$0.000	\$1.818	\$1.933
NGA O&M	\$0.000	\$1.818	\$1.933
NGA Procurement	\$0.000	\$0.000	\$0.000

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	2017	2018	2019
NSA APPROPRIATED	\$0.289	\$0.158	\$0.161
NSA O&M	\$0.289	\$0.158	\$0.161
NSA Procurement	\$0.000	\$0.000	\$0.000
NSA RDT&E	\$0.000	\$0.000	\$0.000
DLA APPROPRIATED	\$6.741	\$18.941	\$17.115
DLA O&M	\$6.979	\$18.844	\$17.017
DLA RDT&E	(\$0.238)	\$0.097	\$0.098
BTA APPROPRIATED	\$0.000	\$0.000	\$0.000
BTA O&M	\$0.000	\$0.000	\$0.000
BTA RDT&E	\$0.000	\$0.000	\$0.000
BTA Procurement	\$0.000	\$0.000	\$0.000
OSD APPROPRIATED	\$130.098	\$78.402	\$86.484
OSD O&M	\$118.896	\$65.235	\$71.203
OSD RDT&E	\$9.602	\$10.621	\$12.408
OSD Procurement	\$1.600	\$2.546	\$2.873
OSD BRAC	\$0.000	\$0.000	\$0.000
DEFENSE TELEPHONE AGENCY	\$2.483	\$2.763	\$2.790
DTS O&M	\$2.483	\$2.763	\$2.790
DEFENSE CONTRACT AUDIT AGENCY	\$3.680	\$3.673	\$3.560
DCAA O&M	\$3.680	\$3.673	\$3.560
DEFENSE CONTRACT MANAGEMENT AGENCY	\$5.699	\$5.237	\$5.472
DCMA O&M	\$5.699	\$5.237	\$5.472
DEFENSE SECURITY SERVICE	\$1.379	\$2.455	\$2.562
DSS O&M	\$1.379	\$2.455	\$2.562
DEFENSE ADVANCED RESEARCH PROJECT AGENCY	\$1.253	\$1.201	\$1.176
DARPA RDT&E	\$1.253	\$1.201	\$1.176
ENTERPRISE SERVICES EXPANSION - VARIOUS CUSTOMERS	\$0.000	\$0.000	\$0.000
O&M - VARIOUS	\$0.000	\$0.000	\$0.000
DoD ACQUISITION WORKFORCE DEVELOPMENT FUND	\$0.000	\$0.000	\$0.000
DoD Acquisition Workforce Development Fund O&M	\$0.000	\$0.000	\$0.000
MISSILE DEFENSE AGENCY	\$11.532	\$12.889	\$18.886
MDA RDT&E	\$11.532	\$10.051	\$16.003
MDA O&M	\$0.000	\$2.838	\$2.883
DEFENSE MEDIA ACTIVITIES	\$0.000	\$1.686	\$1.465
DMA O&M	\$0.000	\$1.686	\$1.465
DMA Procurement	\$0.000	\$0.000	\$0.000
DEFENSE HUMAN RESOURCES ACTIVITY	\$0.000	\$0.000	\$0.000
DHRA O&M	\$0.000	\$0.000	\$0.000
DHRA Procurement	\$0.000	\$0.000	\$0.000

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	2017	2018	2019
DEFENSE LEGAL SERVICES AGENCY	\$0.000	\$0.000	\$0.000
DLSA O&M	\$0.000	\$0.000	\$0.000
DEFENSE SECURITY COOPERATION AGENCY	\$0.263	\$0.415	\$0.446
DSCA O&M	\$0.263	\$0.415	\$0.446
DEFENSE TECHNICAL INFORMATION CENTER	\$0.244	\$0.330	\$0.386
DTIC RDT&E	\$0.244	\$0.330	\$0.386
DEFENSE TECHNOLOGY SECURITY ADMINISTRATION	\$0.000	\$0.000	\$0.056
DTSA O&M	\$0.000	\$0.000	\$0.056
DTSA Procurement	\$0.000	\$0.000	\$0.000
DEFENSE THREAT REDUCTION AGENCY	\$0.471	\$3.826	\$3.100
DTRA O&M	\$0.471	\$3.826	\$3.100
DTRA RDT&E	\$0.000	\$0.000	\$0.000
DTRA Procurement	\$0.000	\$0.000	\$0.000
DEPARTMENT OF DEFENSE EDUCATION ACTIVITY	\$30.739	\$21.467	\$21.391
DoDEA O&M	\$30.739	\$21.467	\$21.391
DEFENSE ACQUISITION UNIVERSITY	\$0.000	\$0.194	\$0.138
DAU O&M	\$0.000	\$0.194	\$0.138
NATIONAL DEFENSE UNIVERSITY	\$0.000	\$0.056	\$0.000
NDU O&M	\$0.000	\$0.056	\$0.000
OFFICE OF ECONOMIC ADJUSTMENT	\$0.000	\$0.000	\$0.000
OEА O&M	\$0.000	\$0.000	\$0.000
US SPECIAL OPERATIONS COMMAND	\$15.092	\$10.330	\$11.919
USSOCOM O&M	\$12.878	\$7.135	\$7.844
USSOCOM RDT&E	\$0.000	\$0.000	\$0.000
USSOCOM Procurement	\$2.214	\$3.195	\$4.075
WASHINGTON HEADQUARTERS SERVICE	\$37.322	\$40.705	\$51.071
WHS O&M	\$28.633	\$30.435	\$38.017
WHS RDT&E	\$6.294	\$6.669	\$8.464
WHS Procurement	\$2.395	\$3.601	\$4.590
CHEMICAL & BIOLOGICAL DEFENSE PROGRAM	\$0.015	\$0.000	\$0.000
CBDP RDT&E	\$0.015	\$0.000	\$0.000
CBDP Procurement	\$0.000	\$0.000	\$0.000
CIVILIAN MILITARY PROGRAM	\$0.000	\$0.000	\$0.000
Civilian Military Program O&M	\$0.000	\$0.000	\$0.000
DoD TEST RESOURCE MANAGEMENT CENTER	\$0.000	\$0.000	\$0.000
TRMC RDT&E	\$0.000	\$0.000	\$0.000
DIRECTOR, OPERATION TEST & DEVELOPMENT	\$0.000	\$0.000	\$0.000
DOT&E RDT&E	\$0.000	\$0.000	\$0.000

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OFFICE OF THE INSPECTOR GENERAL	\$6.755	\$8.609	\$10.621
OIG O&M	\$6.755	\$8.609	\$10.621
DEFENSE HEALTH PROGRAM	\$67.913	\$51.929	\$42.137
DHP O&M	\$67.913	\$51.929	\$42.137
DHP RDT&E	\$0.000	\$0.000	\$0.000
DHP Procurement	\$0.000	\$0.000	\$0.000
US COURT OF APPEALS	\$0.000	\$0.000	\$0.000
Court of Appeals O&M	\$0.000	\$0.000	\$0.000
Court of Appeals Procurement	\$0.000	\$0.000	\$0.000
Other DoD	\$127.276	\$130.752	\$150.839
O&M	\$127.276	\$129.952	\$150.039
RDT&E	\$0.000	\$0.000	\$0.000
Procurement	\$0.000	\$0.800	\$0.800
b. ORDERS FROM DWCF/REVOLVING FUNDS	\$805.460	\$638.463	\$785.293
ARMY - WCF	\$4.583	\$5.897	\$6.491
Army Industrial Operations	\$4.583	\$5.897	\$6.491
NAVY - WCF	\$34.229	\$41.107	\$45.442
Navy Depot Maintenance	\$0.000	\$0.000	\$0.000
Navy Base Support	\$0.006	\$0.010	\$0.010
Navy Supply Management	\$0.452	\$0.161	\$0.160
Marine Corps Supply	(\$0.025)	\$0.076	\$0.097
Marine Corps Depot Maintenance	\$0.000	\$0.000	\$0.000
Other Navy Activity Groups	\$33.796	\$40.860	\$45.175
AIR FORCE - WCF	\$22.581	\$26.177	\$31.742
Consolidated Sustainment Activity Group (CSAG)	\$0.014	\$0.032	\$0.033
US Transportation Command (TRANSCOM)	\$22.567	\$26.145	\$31.709
DEFENSE WIDE WCF	\$681.837	\$520.721	\$646.239
DISA Telecomm Svcs/Ent Acquisition Svcs (TS/EAS)	(\$0.029)	\$2.731	\$2.716
DISA Computing Services (CSD)	\$626.662	\$503.741	\$628.395
Defense Finance and Accounting Service (DFAS)	\$5.885	\$5.370	\$5.000
DLA Energy Management	\$0.000	\$0.014	\$0.030
DLA Defense Automated Printing Services (DAPS)	\$0.000	\$0.000	\$0.000
DLA Supply Chain Management	\$49.319	\$8.865	\$10.098
DEFENSE COMMISSARY AGENCY (DECA)	\$53.813	\$36.178	\$45.057
DECA Commissary Operations	\$53.813	\$36.178	\$45.057
DECA Commissary Resale	\$0.000	\$0.000	\$0.000
OTHER - WORKING CAPITAL	\$0.331	\$0.529	\$0.616
OTHER REVOLVING FUNDS	\$8.086	\$7.854	\$9.706

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	2017	2018	2019
Corps of Engineers	\$0.000	\$1.136	\$1.137
National Defense Stockpile Transaction Fund	\$0.000	\$0.000	\$0.000
Pentagon Reservation Maintenance Revolving Fund	\$2.533	\$6.718	\$8.569
PRMRF/BMF	\$5.553	\$0.000	\$0.000
c. TOTAL DoD ORDERS	\$5,881.512	\$6,429.215	\$7,166.602
d. OTHER ORDERS	\$136.292	\$151.490	\$191.632
OTHER FEDERAL AGENCIES	\$84.621	\$99.481	\$121.892
Central Intelligence Agency (CIA)	\$0.560	\$1.349	\$1.360
Drug Enforcement Agency (DEA)	\$0.003	\$0.991	\$0.928
Environmental Protection Agency (EPA)	\$0.057	\$0.058	\$0.059
Federal Aviation Administration (FAA)	\$0.646	\$3.130	\$3.176
General Services Administration (GSA)	\$0.046	\$0.023	\$0.026
National Aeronautics and Space Admin (NASA)	\$0.856	\$1.780	\$1.804
US Agency for International Development (USAID)	\$0.000	\$0.000	\$0.000
US Department of Agriculture (USDA)	\$0.109	\$0.079	\$0.078
US Department of Commerce Total	\$1.532	\$0.438	\$20.973
National Institute of Standards and Technology (NIST)	\$0.000	\$0.007	\$0.007
US Department of Commerce (DOC)	\$1.532	\$0.431	\$20.966
US Department of Education (DOE)	\$0.000	\$0.236	\$0.264
US Department of Energy (DOE)	\$3.556	\$2.969	\$3.167
US Department of Health and Human Services (HHS)	\$0.106	\$0.002	\$0.002
US Department of Homeland Security Total	\$61.708	\$65.806	\$67.785
Federal Bureau of Investigations (FBI)	\$0.000	\$1.446	\$1.534
Federal Emergency Management Agency (FEMA)	\$0.000	\$1.077	\$1.078
Transportation Security Administration (TSA)	\$0.000	\$0.926	\$0.927
US Coast Guard	\$4.966	\$6.421	\$6.383
US Department of Homeland Security (DHS)	\$56.742	\$55.936	\$57.863
US Department of Justice (DOJ)	\$2.391	\$1.822	\$2.057
US Department of Labor (DOL)	\$0.009	\$0.006	\$0.006
US Department of State (DOS)	\$6.550	\$9.456	\$9.359
US Department of the Interior Total	\$0.061	\$0.107	\$0.108
US Department of Interior (DOI)	\$0.061	\$0.107	\$0.108
US Geological Survey (USGS)	\$0.000	\$0.000	\$0.000
US Department of the Treasury	\$0.073	\$0.119	\$0.120
US Department of Transportation (DOT)	\$0.080	\$0.025	\$0.025
US Department of Veterans Affairs (VA)	\$2.368	\$2.473	\$2.469
US Senate	\$0.000	\$0.000	\$0.000

Source of New Orders and Revenue
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2018
(Dollars in Millions)

	2017	2018	2019
Other	\$3.910	\$8.612	\$8.126
TRUST FUNDS	\$50.528	\$48.153	\$61.416
Defense Commissary Agency Surcharge	\$50.528	\$48.153	\$61.416
OTHER NON-FEDERAL	\$0.033	\$0.073	\$0.074
Federal Credit Unions	\$0.007	\$0.005	\$0.005
Other Services	\$0.026	\$0.068	\$0.069
FOREIGN MILITARY SALES	\$1.110	\$3.783	\$8.250
Canadian Forces Comm Services	(\$0.097)	\$0.030	\$4.500
British Embassy	\$1.207	\$0.135	\$0.138
Foreign Government Agency	\$0.000	\$3.618	\$3.612
TOTAL NEW ORDERS	\$6,017.804	\$6,580.705	\$7,358.234
Carry In Orders	\$0.000	\$0.000	\$0.000
TOTAL GROSS ORDERS	\$6,017.804	\$6,580.705	\$7,358.234

Revenue and Expenses
Defense Information Systems Agency
TELECOMMUNICATIONS SERVICES AND ENTERPRISE ACQUISITION SERVICES
February 2018
(Dollars in Millions)

	2017	2018	2019
Revenue			
Gross Sales	\$6,017.804	\$6,580.705	\$7,358.234
Operations	\$6,004.951	\$6,563.361	\$7,333.602
Capital Surcharge	\$0.000	\$0.000	\$0.000
Capital Investment Recovery (CIR)	12.853	17.344	24.632
Other Income	\$0.000	\$0.000	\$0.000
Refunds/Discounts (-)	\$0.000	\$0.000	\$0.000
Total Income:	\$6,017.804	\$6,580.705	\$7,358.234
Costs			
Cost of Material Sold from Inventory	\$0.000	\$0.000	\$0.000
Salaries and Wages:	\$151.635	\$166.193	\$167.635
Military Personnel Compensation & Benefits	\$1.871	\$1.885	\$1.811
Civilian Personnel Compensation & Benefits	\$149.764	\$164.308	\$165.824
Travel & Transportation of Personnel	\$3.804	\$5.247	\$5.515
Materials & Supplies (For internal Operations)	\$10.636	\$8.487	\$10.364
Equipment	\$0.000	\$4.721	\$4.625
Other Purchases from Revolving Funds	\$80.924	\$94.034	\$117.777
Transportation of Things	\$0.450	\$0.371	\$0.377
Capital Investment Recovery	12.853	17.344	24.632
Printing and Reproduction	\$0.000	\$0.000	\$0.000
Advisory and Assistance Services	\$2.200	\$1.309	\$1.329
Rent, Comm, Utilities, & Misc. Charges	1,608.310	1,755.338	1,788.113
Other Purchased Services	\$4,203.396	\$4,599.582	\$5,296.703
Total Costs	\$6,074.208	\$6,652.626	\$7,417.070
Operating Results	(56.404)	(71.921)	(58.836)
Less Capital Surcharge Reservation	\$0.000	\$0.000	\$0.000
Less Recover Other	\$0.000	\$0.000	\$0.000
+ Passthrough or Other App. Affecting NOR			
- Passthrough or Other App. not Affecting NOR			
Other Adjustments Affecting NOR	\$0.000	\$0.000	\$0.000
Net Operating Results	(\$56.404)	(\$71.921)	(\$58.836)
Prior Year AOR	\$221.754	\$165.350	\$93.429
Other Changes Affecting AOR	\$0.000	\$0.000	\$0.000
Total AOR	\$165.350	\$93.429	\$34.593
Retained AOR	\$0.000	\$0.000	\$0.000
Cumulative Retained AOR	\$0.000	\$0.000	\$0.000
AOR for Budget Purposes	\$165.350	\$93.429	\$34.593

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund (DWWCF)
Supply Chain Management Activity Group
Fiscal Year (FY) 2019 Budget Estimates
February 2018

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 reutilization or disposal. The DLA SCM Activity Group is broken into three business segments: DLA Materiel Supply Chains, DLA Distribution, and DLA Disposition Services. Costs associated with these business segments include operations (salaries and expenses), materiel (items sold), and capital investments (purchase of equipment, software development and minor construction).

- The DLA Materiel Supply Chains manage approximately 5.8 million consumable items and respond to customer item requests for the Military Services, other Federal Agencies, non-federal Agencies and Partner Nations and Allies.
- DLA Supply Chain sales and line management estimates are outlined in the following table with brief descriptions of each supply chain following the table:

(Dollars in Billions)	FY 2017	FY 2018	FY 2019
DLA Aviation	\$5.0	\$4.9	\$5.0
DLA Land	\$1.8	\$1.9	\$1.8
DLA Maritime	\$1.6	\$1.6	\$1.6
DLA Troop Support Clothing and Textiles	\$1.8	\$1.8	\$2.0
DLA Troop Support Medical	\$7.0	\$7.1	\$7.5
DLA Troop Support Subsistence	\$2.4	\$2.5	\$2.5
DLA Troop Support Construction and Equipment	\$3.5	\$3.5	\$3.7
DLA Troop Support Industrial Hardware	\$0.6	\$0.7	\$0.7
Total Sales	\$23.7	\$24.0	\$24.8
DLA Distribution			
Secondary lines (lines in millions)	13.8	13.5	13.5
Warehoused (cubic feet in millions)	100.4	98.3	97.7
DLA Disposition Services	\$2.8	\$2.6	\$2.5

- The **DLA Aviation Supply Chain** is the primary source for over 1.1 million repair parts and operating supply items for more than 1,340 major weapon systems. The DLA Aviation Supply Chain provides mapping, kitting, and chemical, petroleum, and gases and cylinder items to the Military Services. In addition, DLA Aviation provides engineering, sustainability, ozone depleting substances reserve, and industrial plant equipment services.
- The **DLA Land** and **DLA Maritime Supply Chains** are the primary sources for over 420,000 and 1.5 million repair parts and operating supply items, respectively, for land and sea-based weapon systems and Aviation parts, Land and Maritime platforms. The DLA Land and DLA Maritime Supply Chains provide product testing and engineering, and technical support to the Military Services. In addition, DLA Land and DLA Maritime Supply Chains support Navy Surface and Subsurface and Army and Marine Corps customers through dedicated customer relations while working with numerous suppliers to fulfill requirements for assigned stock classes across the Department of Defense (DoD). Furthermore, DLA Land and DLA Maritime Supply Chains provide logistical services directly to Navy shipyards and Army/United States Marine Corps industrial sites.
- The **DLA Troop Support Clothing and Textiles (C&T) Supply Chain Supply Chain** is the primary source for 54,500 thousand items, providing dress and field uniforms, field gear, tentage, and personal chemical protective items to the Military Services and other Federal Agencies, in peacetime and in war. This includes fire resistant items, body armor, and testing and evaluation.
- The **DLA Troop Support Medical Supply Chain** is the primary source for 1.4 million medical items for Military Service Members, active and retired, and their dependents. Medical support to DoD beneficiaries is funded by the Office of Secretary of Defense (OSD) Military Health System (MHS). Items include pharmaceuticals, medical/surgical supplies, instruments and services, equipment, and other health care items. In the Pharmaceutical area, beneficiaries are moving away from traditional venues of obtaining medication (commercial outlets) in favor of the Defense Health Agency "Home Delivery" (mail order) Program supported by Medical. However, Medical's fastest growing segments are the Electronic Catalog for military medical materiel and high-

priority Foreign Military Sales. The DLA Medical Supply Chain is continuously adding product lines in the orthopedic, cardiovascular and spinal areas, in coordination with its customers. In addition, DLA Medical continues to receive substantially large orders in support of US allies in the United States Central Command (CENTCOM) and European Command Theaters of Operation.

- The **DLA Troop Support Subsistence Supply Chain** is the primary source for over 66,814 subsistence items including garrison feeding, fresh fruits and vegetables (frozen, chilled, and dry), market fresh, food fielding and food service equipment, and operational ration items, most notably the "Meals Ready-to-Eat."
- The **DLA Troop Support Construction and Equipment (C&E) Supply Chain** is the source for 297,000 National Stock Numbers (NSNs) and other essential products and associated services. The DLA C&E Supply Chain supplies items for force protection, safety and rescue, fire and emergencies, storage, Heating, Ventilating and Air Conditioning, plumbing, heavy equipment, metals and lumber, as well as imaging and telecommunication devices, targets for training, and Automatic Data Processing (ADP) equipment and supplies.
- The **DLA Troop Support Industrial Hardware (IH) Supply Chain** is the source for 948,000 NSNs for various consumable hardware items such as nuts, bolts, screws, nails, studs, locks, gaskets, washers, pins, locks, O-rings, and provides retail replenishment services at major overhaul activities. The DLA Industrial Hardware Supply Chain supports its customers through Prime Vendor/Tailored Logistics Support programs that include Industrial Prime Vendor, Long-Term Contracts, and Corporate Contracts.
- **The 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.

- o **The DLA Disposition Services** is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2017, \$1.5 billion worth of personal property was reutilized, transferred, or donated, minimizing the need for DoD to reinvest in these items. If property is not reutilized, it is made available for transfer to other Federal Agencies. Remaining property becomes surplus and is made available for donations to authorized State Agencies and charitable organizations. Property that cannot be reutilized may be offered for competitive sale to the public, recycled, or disposed. The 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 also includes the following DoD Logistics Support Activities:

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

BUDGET HIGHLIGHTS

ACTIVITY GROUP BUSINESS CHANGES

Prior to Program Budget Review (PBR) 2017, DLA Distribution's entire overhead burden was allocated to rate driven DLA Distribution business segments while no overhead was applied to reimbursable work, resulting in inequitable rates to customers. The Distribution Price Equitability (DPE) initiative was designed to correct this situation using a phased approach over the Fiscal Year Defense Plan. The initiative was first implemented in FY 2017 with 40 percent of applicable overhead costs included in the reimbursable rates. Each successive year will include an additional 20 percent of overhead until full implementation in FY 2020.

The DLA continues to fully establish retail integration (formerly known as Base Closure and Realignment Commission (BRAC) initiatives), complete Consumable Item Transfers (CIT), and establish all Depot Level Repairable (DLR) procurement and Supply, Storage, and Distribution (SS&D) sites. The DLA assumed responsibility for procurement of DLR items in FY 2011 from the Military Services as well as managing many of the SS&D functions at the Services' industrial sites.

CIT - The DLA continues 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. The DLA reimbursed the Military Services \$865.0 million (\$235 million, Air Force; \$456 million, Navy; and \$174 million, Army) prior to FY 2018. In FY 2018, DLA projects reimbursement to the Navy of \$23 million with an additional \$6.0 million beyond FY 2018.

DLR - The DLR initiative is a rate-based reimbursement method that represents a multiple year effort from a joint service Integrated Product Team. The 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 PBR 19 rates are in the below table:

Hourly Rate	FY 2017	FY 2018	FY 2019
Army	\$63.82	\$66.91	\$71.38
Navy	\$61.25	\$62.40	\$65.13
Air Force	\$62.55	\$65.55	\$70.14
Marine Corps	\$56.58	\$57.48	\$64.95

SS&D - The DLA implemented the Local Recovery Rate (LRR) at the Air Force (AF) SS&D sites in FY 2011. The projected Operating Costs, Gross Sales at Standard, and LRR for the AF SS&D Sites are in the below table:

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Operating Costs	\$74.55	\$74.59	\$78.93
Gross Sales at Standard	\$1,146.98	\$1,147.60	\$1,214.32
Composite Local Recovery Rate	6.5%	6.5%	6.5%

WORKLOAD

DLA Materiel Supply Chains: Projecting workload accurately is the basis for budget develop and a number of factors are considered including enterprise and supply chain specific assumptions. Another key input comes from analysis and outreach through the Sales and Operations Planning (S&OP) group. The process involves a series of planning sessions with Comptroller and Mission Planning Teams from each supply chain as well as input from Service counterparts, and customer account/national account managers. These teams evaluate previously established PB baselines and make adjustments based on current performance and projected trends. After evaluating all of the factors received, the S&OP finalized the draft workload estimates and prepared them for a review by the Enterprise Operations Planning Council (EOPC). The EOPC strives to ensure that all customer demand and supply chain impacts are recognized and understood. Consistent with this process, DLA meets regularly with customers to obtain their planning assumptions and uses this information and previous experience to develop projected demand over the period. The EOPC process considers the impact of Overseas Contingency Operations (OCO) changes on demand and sales and the impact of the Services' operations, CIT, and projected mission changes. The EOPC process results in the development of gross sales at standard.

Due to an increase in projected customer demand and Warfighter Readiness support, the FY 2019 the DLA workload is projected to be \$887.6 million higher than the FY 2018 estimate as shown in the following table:

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Gross Sales at Standard Unit Price	\$23,499.0	\$23,579.3	\$24,587.8

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

Receipts and Issues: Processing workload projections for FY 2018 and FY 2019 are based on the regression analysis of prior and current year actual DLA direct sales and processing workload applied to future sales estimates. Workload is projected to be stable in FY 2017 through FY 2019 as listed in the following table:

(Lines in Millions)	FY 2017	FY 2018	FY 2019
Lines Received and Shipped	14.0	14.0	14.0

Storage: Storage workload projections are based on the prior and current year actual data. There are no major changes projected in storage workload for either covered or specialized categories. The projection for open storage is expected to decline primarily due to decreased tactical storage requirements for the Army as listed in the following table:

(Cubic Feet in Millions)	FY 2017	FY 2018	FY 2019
Covered Storage Space	41.2	43.0	42.7
Open Storage Space	46.3	45.4	43.8
Specialized Storage Space	1.5	1.5	1.5

DLA Disposition Services: The number of line items and acquisition value are the two workload measures. Workload line items (which include DLA Disposition Services work performed by DLA Distribution) and corresponding acquisition value will decrease from FY 2017 through FY 2019 due to the continued force drawdown as provided in the following table:

	FY 2017	FY 2018	FY 2019
Line Items in Millions	3.5	3.5	3.3
Acquisition Value (Dollars in Billions)	\$29.9	\$28.4	26.9

OPERATIONAL PERFORMANCE INDICATORS

High Priority Material Release Orders (Hi Pri MROs) - The time standard for shipment of Hi Pri MROs is one calendar day. The DLA Distribution measures Hi Pri MRO performance (at each Distribution Center and network wide) in terms of average days versus the one day standard. DLA Distribution shipped Hi Pri MROs in 1.02 average days in FY 2017. The performance goal for FY 2017 and FY 2018 is one average day. The Hi Pri MRO metric excludes MRO transactions that do not conform to an one day standard, such as:

- Scheduled truck shipments that are based on schedules to which the customer agrees
- Foreign Military Sales (FMS) shipments
- Non-consumable Item Material Support Code (NIMSC) End Item shipments (NIMSC = 3)

Routine Material Release Orders (Routine MROs) - The time standard for shipment of routine priority MROs is three calendar days. The DLA Distribution measures routine MRO performance (at each Distribution Center and network wide) in terms of average days versus the three day standard. DLA Distribution shipped Routine MROs in 1.83 Average Days in FY 2017. The performance goal for FY 2017 and FY 2018 is three average days. The routine MRO metric excludes MRO transactions that do not conform to a three day standard, such as:

- Scheduled truck shipments that are based on schedules to which the customer agrees
- Foreign Military Sales (FMS) shipments
- 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 unit cost is calculated by dividing costs (the sum of total obligations and credit returns plus depreciation expense) by gross sales at standard unit price. The FY 2017, FY 2018, and FY 2019 calculations are shown in the following table:

Unit Cost	FY 2017	FY 2018	FY 2019
Costs (Dollars in Millions)	24,774.8	23,790.3	24,856.2
Gross Sales at Standard Unit Price (Dollars in Millions)	23,499.0	23,579.3	24,587.8
Unit Cost Goal (per Dollar of Sales)	1.05	1.01	1.01

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

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

The table below displays the DoD approved OP-32 Price Change to Customers and CRR's for FY 2017 and FY 2018, and those proposed for FY 2019, along with the DoD inflators:

Pricing	PB 17 FY 2017	PB 18 FY 2018	PB 19 FY 2019
OP-32 Price Changes to Customers	(1.3%)	(0.6%)	(0.4)
DoD Inflator	1.8%	1.8%	1.8%
Cost Recovery Rate	11.6%	11.6%	11.5%

The table below displays the rate changes by DLA Supply Chains for FY 2017, FY 2018, and FY 2019.

Rate Changes	PB 17 FY 2017	PB 18 FY 2018	PB 19 FY 2019
DLA Weapon Systems	(4.1%)	(0.5)	(0.6)
DLA Troop Support Clothing and Textiles	1.4%	0.1	(0.4)
DLA Troop Support Medical	(0.3%)	0.0	0.1
DLA Troop Support Subsistence	(0.6%)	(1.7)	(0.2)
DLA Troop Support Construction and Equipment	0.0%	(1.8)	(0.1)
DLA Troop Support Industrial Hardware	(6.1%)	4.3	(3.0)
Total	(1.3%)	(0.6)	(0.4)

DLA Distribution

Billable Hourly Rates: The 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. In FY 2019, decreases in cost are primarily due to a reallocation of Enterprise information technology costs.

Unit Cost	FY 2017	FY 2018	FY 2019
Processing Workload (Lines in Millions)	14.0	14.0	14.0
Processing Cost (Dollars in Millions)	\$567.20	\$560.60	\$540.30
Unit Cost Goal	\$40.63	\$40.04	\$38.67

Detailed Net Landed Cost Rates are provided below:

Net Landed Cost Rates								
		2017	2017	2018	2018	2019	2019	
		CONUS	OCONUS	CONUS	OCONUS	CONUS	OCONUS	
Receipt								
Base amount		32.69	46.56	35.39	75.33	37.45	96.38	per line
Plus								
1-40 lbs.		1.35	2.51	1.39	2.93	1.42	3.52	per line
41-150 lbs.		15.88	29.40	16.37	34.33	16.70	41.25	per line
151-2000 lbs.		36.22	67.05	37.33	78.29	38.08	94.07	per line
2000+ lbs.		0.02	0.03	0.02	0.04	0.02	0.05	per lb. + 151-2000 rate
Return		6.65	12.31	6.85	14.37	6.99	17.27	per line additional
Hazardous		22.31	41.29	22.99	48.21	23.45	57.93	per line additional
Hard-to-Handle		22.31	41.29	22.99	48.21	23.45	57.93	per line additional
Issue								
Onbase base amount		14.76	21.03	15.98	34.02	16.91	43.53	per line
Plus								
1-40 lbs.		1.35	2.51	1.39	2.93	1.42	3.52	per line
41-150 lbs.		15.88	29.40	16.37	34.33	16.70	41.25	per line
151-2000 lbs.		36.22	67.05	37.33	78.29	38.08	94.07	per line
2000+ lbs.		0.02	0.03	0.02	0.04	0.02	0.05	per lb. + 151-2000 rate
Offbase base amount		21.35	30.41	23.11	49.20	24.45	62.95	per line
1-40 lbs.		2.65	4.90	2.73	5.72	2.78	6.87	per line
41-150 lbs.		36.63	67.82	37.75	79.19	38.51	95.15	per line
151-2000 lbs.		72.53	134.28	74.75	156.79	76.25	188.39	per line
2000+ lbs.		0.03	0.05	0.03	0.06	0.03	0.07	per lb. + 151-2000 rate
Local Delivery		2.29	4.24	2.36	4.95	2.41	5.95	per line additional
Hazardous		22.31	41.29	22.99	48.21	23.45	57.93	per line additional
Hard-to-Handle		22.31	41.29	22.99	48.21	23.45	57.93	per line additional
Controlled Item		10.54	19.52	10.86	22.79	11.08	27.38	per line additional
FMS		10.81	20.02	11.14	23.38	11.36	28.09	per line additional
Out-of-Cycle		30.45	56.37	31.38	65.82	32.01	79.09	per line additional
Issue from Receiving								
Base amount		\$ 1.88	\$ 2.67	\$ 2.04	\$ 4.32	\$ 2.16	\$ 5.53	per line
Plus								
1-40 lbs.		1.35	2.51	1.39	2.93	1.42	3.52	per line
41-150 lbs.		15.88	29.40	16.37	34.33	16.70	41.25	per line
151-2000 lbs.		36.22	67.05	37.33	78.29	38.08	94.07	per line
2000+ lbs.		0.02	0.03	0.02	0.04	0.02	0.05	per lb. + 151-2000 rate
Transshipments								
Offbase base amount		\$ 28.12	\$ 40.05	\$ 30.44	\$ 64.80	\$ 32.21	\$ 82.91	per line
Plus								
1-40 lbs.		\$ 2.65	\$ 4.90	\$ 2.73	\$ 5.72	\$ 2.78	\$ 6.87	per line
41-150 lbs.		\$ 36.63	\$ 67.82	\$ 37.75	\$ 79.19	\$ 38.51	\$ 95.15	per line
151-2000 lbs.		\$ 72.53	\$ 134.28	\$ 74.75	\$ 156.79	\$ 76.25	\$ 188.39	per line
2000+ lbs.		\$ 0.03	\$ 0.05	\$ 0.03	\$ 0.06	\$ 0.03	\$ 0.07	per lb. + 151-2000 rate
Mark For		\$ 7.50	\$ 10.68	\$ 8.12	\$ 17.28	\$ 8.59	\$ 22.11	per line
Onbase amount		\$ 14.33	\$ 20.41	\$ 15.98	\$ 33.02	\$ 16.41	\$ 42.25	per line
Material Processing Center								
		\$ 18.29		\$ 18.66		\$ 19.22		per line
Estimated Transportation (\$M)		\$ 159.29	\$ 5.53	\$ 162.33	\$ 4.92	\$ 164.86	\$ 5.74	
Total Processing Cost (\$M)		\$ 451.53	\$ 102.34	\$ 462.91	\$ 104.96	\$ 480.10	\$ 131.79	
Composite Rate		\$ 35.94	\$ 75.89	\$ 37.43	\$ 78.51	\$ 38.18	\$ 94.34	
Workload (Millions of Lines)		12.6	1.4	12.7	1.3	12.6	1.4	
Reimbursable Rates:								
DLA Facility		\$ 148.13		\$ 134.41		\$ 139.00		
Non-DLA Facility		\$ 118.50		\$ 107.52		\$ 111.20		
Storage Rates								
Covered Storage		\$ 7.50		\$ 7.65		\$ 8.67		
Open		\$ 0.77		\$ 0.79		\$ 1.21		
Specialized		\$ 11.94		\$ 12.18		\$ 12.42		

Covered Storage: 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 because the rate includes AOR adjustments. The actual covered storage rate is shown on the Detailed Net Landed Rates table above. The below tables show Covered storage cubic feet is expected to increase in FY 2018 for retail and Navy Warehouse Transfer workload.

Unit Cost	FY 2017	FY 2018	FY 2019
Cubic Feet Millions	41.2	43.0	42.7
Storage Costs(Dollars in Millions)	\$315.50	\$325.20	\$328.40
Unit Cost Goal	\$7.66	\$7.57	\$7.69

DLA Disposition Services: The 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** - cost associated with reutilizing, transferring and donating of excess personal property divided by line items of property.
- **Ultimate Disposal/Hazardous Waste** - cost associated with oversight of environmentally regulated disposal of hazardous waste.

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

The unit costs per line and per pound decrease through FY 2019 as the projected total cost to operate, not recovered through reimbursable programs, for DLA Disposition Services declines over those years.

The below table shows DLA Disposition Services unit cost per pound goal is based on 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.

Unit Cost	FY 2017	FY 2018	FY 2019
Cost per Line Goal	\$96.75	\$96.46	\$95.11
Cost per Pound Goal	\$0.23	\$0.34	\$0.34

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

DLA Disposition Services - Bills are formulated with an Activity Based Costing model that uses disposal workload to allocate costs to customers based on services provided. The historically low rates in prior FY were attributable to the increase in projected sales revenue and the return of positive AOR. In FY 2018 and FY 2019, the rates increase to a normalized/unsubsidized rate as the flow of positive AOR to return to the customers via reduced SLB rates has been exhausted and projected sales proceeds decrease. The customer SLBs using this model are projected in the following table:

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Army	\$81.972	\$108.013	\$135.887
Navy	\$37.260	\$44.711	\$53.967
Air Force	\$20.493	\$26.300	\$33.440
Coast Guard	\$0.568	\$1.052	\$1.324
DLA	\$46.031	\$83.609	\$106.610
Total	\$186.324	\$263.685	\$331.229

DLA Logistics Information Services - Through FY 2017, Logistics Information Services recouped costs through the SLB and costs were allocated based on customer utilization. Starting in FY 2018, costs will be recouped through the prices DLA charges for goods and services, resulting in a \$160.0 million in customer savings. The following table reflects this change:

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Army	\$36.250	\$0	\$0
Navy	\$46.220	\$0	\$0
Air Force	\$37.229	\$0	\$0
DLA	\$40.778	\$0	\$0
Total	\$160.477	\$0	\$0

DLA Transaction Services - Through FY 2017, DLA Transaction Services recouped costs through SLB and costs were divided equally among Military Services and DLA. Starting in FY 2018, costs will be recouped through the prices DLA charges for goods and services, resulting in a \$64.0 million in customer savings. The following table reflects this change:

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Army	\$16.032	\$0	\$0
Navy	\$16.032	\$0	\$0
Air Force	\$16.032	\$0	\$0
DLA	\$16.032	\$0	\$0
Total	\$64.128	\$0	\$0

ANALYSIS OF BUDGET STATEMENTS

NET OPERATING RESULTS (NOR)/ACCUMULATED OPERATING RESULTS (AOR): Revenue continues to increase due to higher sales and costs of materiel sold from inventory. Expenses are increasing primarily for personnel compensation and benefits and purchased services (contracts).

The following table shows the NOR/AOR expenses, which exclude non-recoverable items such as property disposal transfers, net acquisition cost changes, returns without credit, and other changes.

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Revenue	\$25,430.3	\$25,842.8	\$26,881.3
Expenses	\$25,727.2	\$26,174.9	\$26,995.9
Operating Results	(\$296.9)	(\$332.1)	(\$114.6)
Other Changes Affecting NOR	\$0	\$0	\$0
Cash Surcharge	\$0	\$0	\$0
Capital Surcharge	\$0	\$0	\$0
Transfers	\$0	\$0	\$0
Inventory	\$0	\$0	\$0
Appropriations	\$344.9	\$76.0	\$48.1
Net Operating Results	\$48.0	(\$256.1)	(\$66.5)
Prior Year AOR	\$356.8	(\$30.6)	(\$255.1)
Other Changes Affecting AOR	\$0	\$157.7	\$157.7
Retained Accumulated Operating Results	(\$435.4)	(\$126.0)	\$163.90
Accumulated Operating Results	(\$30.6)	(\$255.1)	\$0

CASH PROJECTIONS

The FY 2017 cash increase of \$351.6 million is due to the receipt of appropriated funding (\$344.9 million).

The FY 2018 projected cash decrease of \$596.3 million is due to the timing of disbursements for materiel with a long financial lead time, for which obligations were made in a prior fiscal year. This submission includes a request for \$75.9 million in appropriated funding.

The FY 2019 projected cash decrease of \$425.3 million is due to the timing of disbursements for materiel with a long financial lead time, for which obligations were made in a prior fiscal year. This submission includes a request for \$48.1 million in appropriated funding. The PB 2019 cash projections are shown in the following table:

DLA Supply Chain Management Summary

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Disbursements	(-25,783.5)	(-26,229.3)	(-27,262.8)
Collections	25,790.2	25,557.1	26,789.4
Net Outlays	6.7	(-672.2)	(-473.4)
Direct Appropriation	321.1	47.1	48.1
OCO Appropriation	23.8	28.8	0.0
Total Change in Cash	351.6	(-596.3)	(-425.3)

PERSONNEL PROFILE

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

Manpower	FY 2017	FY 2018	FY 2019
Civilian End Strength	23,449	24,208	24,230
Civilian FTEs	22,967	23,460	23,887
Military End Strength/FTEs*	484	495	501

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

CAPITAL BUDGET

The capital budget funds are investments that exceed the \$250,000 expense/investment criteria for the Automated Data Processing Equipment (ADPE), non-ADPE, software development, and the minor construction category.

Overall, the FY 2019 capital budget estimates decreased from FY 2018 by \$4.8 million.

The non-ADPE category will increase slightly in FY 2019, due primarily to material disposal equipment at DLA Disposition.

Investment in the ADPE category decreased in FY 2019 due primarily to reduction in DLA ADPE requirements.

The DLA will continue to expand the already deployed Enterprise Resource Planning platform Enterprise Business System (EBS) for critical system change requests. Also included in the software development category is funding for other Programs to enhance DLA information technology systems. The software category in FY 2019 will be reduced primarily due to the restructure of DLA initiatives on software development.

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.

The Capital Budget is summarized in the following table:

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Equipment (non-ADP)	36.6	27.9	28.8
Equipment (ADP)	2.7	17.2	13.0
Software	25.8	34.2	33.1
Minor Construction	13.2	15.5	15.1
Total	78.3	94.8	90.0

APPROPRIATIONS

Defense-Wide Working Capital Fund (DWWCF) Appropriations for FY 2017 through FY 2019 are detailed in the following table and narrative.

DLA SCM Appropriations: (Dollars in Millions)	FY 2017 Enacted	FY 2018 Enacted	FY 2019 Request
Warfighter Readiness	\$284.0	--	--
Reutilization, Transfer and Disposal Costs	\$37.1	\$47.1	\$48.1

Warfighter Readiness: The DLA received \$284.0 million for Warfighter Readiness in the 2017 Request for Additional Appropriations. DLA’s readiness efforts include repair of the DLA equities at the Marine Corps logistics base (Albany) which was damaged by recent tornados. Other efforts will increase Nuclear Enterprise Investment, readiness parts investment for 5 key Army platforms, and increase OCONUS forward stocking.

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

Overseas Contingency Operations (OCO) Appropriations - The DLA will use prior year OCO operating authority to fund FY 2019 requirements in support of Operation Freedom’s Sentinel (OFS).

Overseas Contingency Operations (OCO) Appropriations: (Dollars in Millions)	FY 2017 Enacted	FY 2018 Enacted	FY 2019
5.10 DLA Disposition Services	\$20.0	\$20.0	\$20.0
5.10 DLA Distribution Services	--	--	\$12.9
5.11 Information Technology (IT) Communications	\$3.2	\$3.2	\$3.2
5.11 IT Contractor Support	\$0.5	\$0.5	\$0.5
3.0 IT Defense Enterprise Business Systems (DEBS) Support	--	\$5.1	\$5.2
5.11 Corporate Support	\$0.1	--	--
Total DLA SCM	\$344.9	\$75.9	\$89.9

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

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

Retained Accumulated Operating Results (AOR) and cash associated with prior Fiscal Year under-executed OCO(dollars in millions) will be used to fund these FY2019 priorities:

Continuing Government Labor/Travel:	\$6.075
Contractor (TCN Labor):	\$5.358
Equipment/Maintenance:	\$2.729
Supplies/Transportation:	\$5.109
Facilities/Rent/Communications:	<u>\$0.729</u>
Total:	\$20.000

DLA Distribution Services: The Civilian Expeditionary Workforce (CEW) program allows civilians to apply their capability, experience, and knowledge as a crucial part of helping the Department of Defense (DOD) accomplish its mission abroad. Individuals who deploy volunteer for positions for which they are qualified in locations such as Afghanistan, Iraq, Djibouti, Qatar, and other places across the globe. Civilian volunteers are selected for a tour of duty (usually for twelve months) and normally work alongside deployed US military members.

The DLA's Civilian Expeditionary requirements are a result of a DoD decision to assign sourcing of CENTCOM civilian requirements to DOD Components no later than FY 2019. The DLA is tasked with filling 42 civilian positions to support CENTCOM, beginning in FY 2019. The

cost of filling these positions will be \$12.9 million per year starting in FY 2019, with a total cost of \$67.1 million for FY 2019 to FY 2023. This request for OCO funding will reimburse the DLA for incremental costs and other costs related to CEW deployments in order to fully support the Department's requirement.

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

In FY 2017 and FY 2018, DLA Networks and Telecommunications is the sustainment office for DLA SATCOM systems and will use Defense Information Systems Agency (DISA) contracted Commercial SATCOM systems. The DLA will still be transitioning to DoD SATCOM from commercial SATCOM and will require support for peripheral hardware, maintenance, and recurring costs of systems, which includes continued and expanded operations in Afghanistan, Central Asia and potentially Africa.

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

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

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

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

IT DEBS: The Joint Contingency Contracting System (JCCS) is the primary source for Iraq and Afghanistan vendor information. The JCCS provides a capability to register host nation vendors in English and Arabic, record vendor past performance, allow the posting of Iraqi/Afghani reconstruction solicitations, provide a location for vendors to submit proposals, track historical reconstruction contract data, and allow oversight of in-theatre contracts to monitor cost, schedule, performance, and vendor activities. The JCCS provides the CENTCOM-Joint Theater Support Contracting Command (C-JTSCC) professionals a single source of data for HN Vendor Management to include: HN Vendor Registration, Past Performance, Vetting, Invoice and Payment for contracting and financial data to support mission spend analysis, strategic sourcing and staffing requirements. The JCCS produces a myriad of contract and financial reports to support the Warfighter's overall acquisition forecasting. The JCCS is also a platform for web services delivery of expeditionary and contingency business applications to include SPS, SPOT, EDA, GEX, and FPDS-NG, TBC, cASM, OCONTRAX and WAWF. The JCCS supports contingency initiatives to include the 3in1 Handheld Device and ACSA-Global Acquisition Tracking Reporting Tool - AGATRS and Theater Business Clearance.

Corporate Support: The 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). However, due to decreased mission requirements, OCO funds are no longer required in FY 2018 and FY 2019 for the JLOC, DSTs, Chaplain, and DLA OIG offices in support of OFS.

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Supply Management Summary
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2017
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets				Total Operating Obligations	Total Capital Obligations	Variability Target	Target Total
			Operating	Mobilization	Appropriations					
CLOTHING & TEXTILES	1,511.768	1,752.372	1,674.815	0.000	0.453	1,675.268	0.157	377.383	2,052.808	
MEDICAL	6,643.635	6,953.101	6,814.294	0.000	5.254	6,819.548	5.909	1,681.828	8,507.285	
SUBSISTENCE	2,508.212	2,748.823	2,657.067	0.000	0.498	2,657.565	0.235	648.796	3,306.596	
CONSTRUCTION & EQUIPMENT	3,487.378	3,521.195	3,611.310	0.000	12.100	3,623.410	0.128	886.948	4,510.486	
INDUSTRIAL HARDWARE	468.574	614.209	534.802	0.000	12.846	547.648	0.025	117.872	665.544	
AVIATION	3,467.531	4,360.606	4,960.120	0.000	86.118	5,046.238	0.938	1,047.791	6,094.967	
LAND	1,450.337	1,745.385	1,578.794	0.000	96.731	1,675.525	0.000	357.191	2,032.716	
MARITIME	1,307.259	1,643.904	1,499.388	0.000	36.420	1,535.808	1.187	329.917	1,866.913	
SM-1 without Variability (SM-3A)	20,844.694	23,339.595	23,330.590	0.000	250.420	23,581.010	8.579	0.000	23,589.589	
LOGISTICS INFORMATION	0.000	0.000	154.221	0.000	0.000	154.221	0.000	0.000	154.221	
TRANSACTION SERVICES	0.000	0.000	54.052	0.000	0.000	54.052	0.000	0.000	54.052	
MANAGEMENT HEADQUARTERS	0.000	0.000	209.414	0.000	0.000	209.414	0.000	0.000	209.414	
ENTERPRISE OPERATIONS	0.000	0.000	1,233.766	0.000	0.000	1,233.766	3.778	0.000	1,237.544	
ENTERPRISE INFORMATION TECH.	0.000	0.000	1,058.872	0.000	3.846	1,062.718	21.760	0.000	1,084.478	
CENTRAL FUND	0.000	0.000	52.667	0.000	0.000	52.667	0.000	0.000	52.667	
TOTAL MATERIEL SUPPLY CHAIN	20,844.694	23,339.595	26,093.582	0.000	254.266	26,347.848	34.117	5,447.725	31,829.690	
DISTRIBUTION	0.000	0.000	1,136.860	0.000	33.500	1,170.360	28.326	0.000	1,198.686	
DISPOSITION SERVICES	0.000	0.000	246.153	0.000	57.166	303.319	5.820	0.000	309.139	
TOTAL SUPPLY CHAIN MANAGEMENT	20,844.694	23,339.595	27,476.595	0.000	344.932	27,821.527	68.263	5,447.725	33,337.515	

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Supply Management Summary
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2018
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Target Total
			Operating	Mobilization	Appropriations	Total Operating Obligations	Total Capital Obligations		
CLOTHING & TEXTILES	1,579.152	1,822.408	1,772.958	0.000	0.000	1,772.958	0.051	394.788	2,167.797
MEDICAL	6,770.183	7,094.100	6,919.732	0.000	0.000	6,919.732	4.682	1,703.604	8,628.018
SUBSISTENCE	2,255.732	2,463.847	2,002.376	0.000	0.000	2,002.376	0.053	483.055	2,485.484
CONSTRUCTION & EQUIPMENT	3,038.935	3,524.681	3,324.813	0.000	0.000	3,324.813	0.066	812.580	4,137.459
INDUSTRIAL HARDWARE	450.598	671.009	527.412	0.000	0.000	527.412	0.048	114.837	642.297
AVIATION	3,538.265	4,564.624	4,609.290	0.000	0.000	4,609.290	1.750	949.488	5,560.528
LAND	1,444.712	1,830.144	1,635.989	0.000	0.000	1,635.989	0.000	369.921	2,005.910
MARITIME	1,208.829	1,546.197	1,470.855	0.000	0.000	1,470.855	1.425	311.395	1,783.675
SM-1 without Variability (SM-3A)	20,286.406	23,517.010	22,263.425	0.000	0.000	22,263.425	8.075	0.000	22,271.500
LOGISTICS INFORMATION	0.000	0.000	134.235	0.000	0.000	134.235	0.000	0.000	134.235
TRANSACTION SERVICES	0.000	0.000	45.699	0.000	0.000	45.699	0.000	0.000	45.699
MANAGEMENT HEADQUARTERS	0.000	0.000	209.442	0.000	0.000	209.442	0.000	0.000	209.442
ENTERPRISE OPERATIONS	0.000	0.000	1,212.401	0.000	0.000	1,212.401	0.500	0.000	1,212.901
ENTERPRISE INFORMATION TECH.	0.000	0.000	1,026.108	0.000	8.845	1,034.953	36.063	0.000	1,071.016
CENTRAL FUND	0.000	0.000	276.312	0.000	0.000	276.312	0.000	62.556	338.868
TOTAL MATERIEL SUPPLY CHAIN	20,286.406	23,517.010	25,167.622	0.000	8.845	25,176.467	44.638	5,202.223	30,423.328
DISTRIBUTION	0.000	0.000	1,183.521	0.000	0.000	1,183.521	38.373	0.000	1,221.894
DISPOSITION SERVICES	0.000	0.000	260.427	0.000	67.108	327.535	11.753	0.000	339.288
TOTAL SUPPLY CHAIN MANAGEMENT	20,286.406	23,517.010	26,611.570	0.000	75.953	26,687.523	94.764	5,202.223	31,984.510

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Supply Management Summary
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2019
(Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Target Total
			Operating	Mobilization	Appropriations	Total Operating Obligations	Total Capital Obligations		
CLOTHING & TEXTILES	1,750.094	2,003.940	1,944.642	0.000	0.000	1,944.642	0.051	437.524	2,382.217
MEDICAL	7,185.782	7,498.562	7,307.576	0.000	0.000	7,307.576	4.682	1,796.899	9,109.157
SUBSISTENCE	2,299.215	2,501.704	2,369.357	0.000	0.000	2,369.357	0.053	574.826	2,944.236
CONSTRUCTION & EQUIPMENT	3,378.095	3,690.053	3,474.811	0.000	0.000	3,474.811	0.066	850.091	4,324.968
INDUSTRIAL HARDWARE	468.754	674.500	537.081	0.000	0.000	537.081	0.048	117.189	654.318
AVIATION	3,593.739	4,676.485	4,556.949	0.000	0.000	4,556.949	2.759	930.857	5,490.565
LAND	1,419.321	1,811.560	1,598.813	0.000	0.000	1,598.813	0.000	362.866	1,961.679
MARITIME	1,209.435	1,558.655	1,468.624	0.000	0.000	1,468.624	3.225	311.642	1,783.491
SM-1 without Variability (SM-3A)	21,304.435	24,415.458	23,257.853	0.000	0.000	23,257.853	10.884	0.000	23,268.737
LOGISTICS INFORMATION	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TRANSACTION SERVICES	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
MANAGEMENT HEADQUARTERS	0.000	0.000	180.555	0.000	0.000	180.555	0.000	0.000	180.555
ENTERPRISE OPERATIONS	0.000	0.000	1,279.996	0.000	0.000	1,279.996	0.500	0.000	1,280.496
ENTERPRISE INFORMATION TECH.	0.000	0.000	1,201.415	0.000	0.000	1,201.415	33.161	0.000	1,234.576
CENTRAL FUND	0.000	0.000	344.099	0.000	0.000	344.099	0.000	62.617	406.716
TOTAL MATERIEL SUPPLY CHAIN	21,304.435	24,415.458	26,263.918	0.000	0.000	26,263.918	44.545	5,444.510	31,752.973
DISTRIBUTION	0.000	0.000	1,211.976	0.000	0.000	1,211.976	38.579	0.000	1,250.555
DISPOSITION SERVICES	0.000	0.000	277.249	0.000	48.096	325.345	6.909	0.000	332.254
TOTAL SUPPLY CHAIN MANAGEMENT	21,304.435	24,415.458	27,753.143	0.000	48.096	27,801.239	90.033	5,444.510	33,335.782

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Materiel Supply Chain Activity Group
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2017 Inventory Status
(\$ in millions)

DLA Materiel Supply Chains	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	15,323.7	9,723.9	605.9	4,993.9
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	(95.7)	(3.1)	98.8
b. Price Change Amount (Memo)	-	-	-	-
c. Inventory Reclassified and Repriced	15,323.7	9,628.2	602.8	5,092.7
3. PURCHASES	20,316.9	19,783.2	533.8	-
4. GROSS SALES AT COSTS	(20,611.6)	(19,909.9)	(701.7)	-
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	586.1	54.6	4.8	526.7
Transfer to other DLA ICPs	-	-	-	-
Transfer from other DLA ICPs	544.5	13.0	4.8	526.7
Transfers from Military Services	41.6	41.6	-	-
b. Returns from Customers for Credit (+)	143.5	143.4	0.1	-
c. Returns for Customers without Credit	472.4	-	0.9	471.5
d. Returns to Suppliers (-)	153.7	-	-	153.7
e. Transfers to Property Disposal (-)	(726.9)	-	(3.1)	(723.8)
f. Issues/Receipts without Reimbursement (+/-)	-	-	-	-
g. Other (List and Explain)	(666.9)	(156.6)	(12.4)	(497.8)
h. Total Adjustments	(38.0)	41.4	(9.6)	(69.8)
6. INVENTORY - End of Period (EOP)	14,991.0	9,542.8	425.3	5,022.9
7. INVENTORY ON ORDER EOP	9,456.1	9,144.9	311.2	-
8. Narrative (Explanation of unusual changes):				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Materiel Supply Chain Activity Group
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2018 Inventory Status
(\$ in millions)

DLA Materiel Supply Chains	Total	Demand Based	Moblization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	14,991.0	9,542.8	425.3	5,022.9
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	-	-	-
b. Price Change Amount (Memo)	-	-	-	-
c. Inventory Reclassified and Repriced	14,991.0	9,542.8	425.3	5,022.9
3. PURCHASES	20,861.4	20,624.4	237.1	-
4. GROSS SALES AT COSTS	(20,710.4)	(20,495.0)	(215.4)	-
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	75.4	75.4	-	-
Transfer to other DLA ICPs	-	-	-	-
Transfer from other DLA ICPs	20.4	20.4	-	-
Transfers from Military Services	55.0	55.0	-	-
b. Returns from Customers for Credit (+)	133.3	133.3	-	-
c. Returns for Customers without Credit	216.1	-	-	216.1
d. Returns to Suppliers (-)	8.0	-	-	8.0
e. Transfers to Property Disposal (-)	(669.8)	-	-	(669.8)
f. Issues/Receipts without Reimbursement (+/-)	-	-	-	-
g. Other (List and Explain)	150.8	109.3	-	41.6
h. Total Adjustments	(86.2)	318.0	-	(404.1)
6. INVENTORY - End of Period (EOP)	15,055.8	9,990.2	446.9	4,618.7
7. INVENTORY ON ORDER EOP	8,690.0	8,388.9	301.1	-
8. Narrative (Explanation of unusual changes):				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Materiel Supply Chain Activity Group
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2019 Inventory Status
(\$ in millions)

DLA Materiel Supply Chains	Total	Demand Based	Moblization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	15,055.8	9,990.2	446.9	4,618.7
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	-	-	-	-
b. Price Change Amount (Memo)	-	-	-	-
c. Inventory Reclassified and Repriced	15,055.8	9,990.2	446.9	4,618.7
3. PURCHASES	21,589.4	21,347.6	241.7	-
4. GROSS SALES AT COSTS	(21,484.0)	(21,264.3)	(219.8)	-
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	64.7	64.7	-	-
Transfer to other DLA ICPs	-	-	-	-
Transfer from other DLA ICPs	9.7	9.7	-	-
Transfers from Military Services	55.0	55.0	-	-
b. Returns from Customers for Credit (+)	134.6	134.6	-	-
c. Returns for Customers without Credit	262.3	-	-	262.3
d. Returns to Suppliers (-)	8.8	-	-	8.8
e. Transfers to Property Disposal (-)	(626.0)	-	-	(626.0)
f. Issues/Receipts without Reimbursement (+/-)	-	-	-	-
g. Other (List and Explain)	115.2	45.6	-	69.6
h. Total Adjustments	(40.5)	244.9	-	(285.3)
6. INVENTORY - End of Period (EOP)	15,120.7	10,318.4	468.9	4,333.4
7. INVENTORY ON ORDER EOP	8,469.7	8,189.3	280.4	-
8. Narrative (Explanation of unusual changes):				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2019 Budget Estimates
February 2018
DLA Material Supply Chain
FY 2017
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	605.9	560.7	45.3
2. Price Change	0.0	0.0	0.0
3. Reclassification	-5.6	0.0	-5.6
4. Inventory Changes			
a. Receipts @ cost	533.8	533.8	0.0
(1). Purchases	532.7	532.7	0.0
(2). Returns from customers	1.0	1.0	0.0
b. Issues @ cost	-701.7	-701.7	0.0
(1). Sales	-698.6	-698.6	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	-3.1	-3.1	0.0
c. Adjustments @ cost	-7.2	-7.6	0.5
(1). Capitalizations	4.8	4.8	0.0
(2). Gains and Losses	-2.0	-2.0	0.0
(3.) Other	-9.9	-10.4	0.5
5. Inventory EOP	425.3	385.1	40.2
WRM STOCKPILE COSTS			
1. Storage	2.9	2.9	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	2.9	2.9	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	532.7	532.7	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	532.7	532.7	0.0
c. Repair WRM	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	532.7	532.7	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2019 Budget Estimates
February 2018
DLA Material Supply Chain
FY 2018
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	425.3	385.1	40.2
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	237.1	237.1	0.0
(1). Purchases	237.1	237.1	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	-215.4	-215.4	0.0
(1). Sales	-215.4	-215.4	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	446.9	406.7	40.2
WRM STOCKPILE COSTS			
1. Storage	3.1	3.1	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	3.1	3.1	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	237.1	237.1	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	237.1	237.1	0.0
c. Repair WRM	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	237.1	237.1	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
War Reserve Material Stockpile
Fiscal Year (FY) 2019 Budget Estimates
February 2018
DLA Material Supply Chain
FY 2019
(\$ in millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	446.9	406.7	40.2
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	241.7	241.7	0.0
(1). Purchases	241.7	241.7	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	-219.8	-219.8	0.0
(1). Sales	-219.8	-219.8	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	468.9	428.7	40.2
WRM STOCKPILE COSTS			
1. Storage	3.1	3.1	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	3.1	3.1	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	241.7	241.7	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	241.7	241.7	0.0
c. Repair WRM	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	241.7	241.7	0.0

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Chain Management Activity Group
 Source of New Orders and Revenue
 Fiscal Year (FY) 2019 Budget Estimates
 February 2018
 SCM Supply Chain
 (Dollars in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
1. New Orders			
a. Orders from DoD Components	8,682.510	12,949.34	13,645.89
Army	3,179.932	4,737.866	4,999.743
O&M, Army	1,306.794	1,928.492	2,043.478
O&M - Recovery Act, Army	0.000	0.000	0.000
O&M, Army Reserve	104.850	158.085	166.344
O&M - Recovery Act, Army Reserve	0.000	0.000	0.000
O&M, Army National Guard	352.357	531.236	558.989
Army National Guard	0.000	0.000	0.000
RDT&E, Army	19.943	29.988	31.568
RDT&E, Army, Recovery Act			
Aircraft Procurement, Army	6.889	10.022	10.593
Missile Procurement, Army	0.509	0.691	0.739
Procurement of Weapons & Tracked Vehicles, Army	4.745	7.033	7.417
Procurement of Ammunition, Army	0.012	0.000	0.000
Other Procurement, Army	52.008	76.999	81.212
Military Construction, Army	0.535	0.806	0.848
Military Construction, Army Reserve	0.000	0.000	0.000
Military Construction, Army National Guard	0.018	0.045	0.047
Family Housing Construction, Army	0.111	0.179	0.189
Family Housing, O&M, Army	0.332	0.493	0.518
Military Personnel, Army	1,147.776	1,730.471	1,820.874
National Guard Personnel, Army	97.719	147.334	155.031
Reserve Personnel, Army	50.958	76.825	80.839
Salaries and Expenses, Cementerial Expenses, Wildlife Conservation, etc., Military Reserv	0.091	0.134	0.141
Chemical Agents and Munitions Destruction, A	-0.004	0.000	0.000
National Science Center, Army	0.013	0.000	0.000
Afghanistan Infrastructure Fund	-0.004	0.000	0.000
Iraq Security Forces Fund	0.149	0.177	0.193
Iraq Train and Equip Fund, Army	0.000	0.000	0.000
Foreign Military Financing, Funds Appropriated to the President	0.104	0.179	0.189
Army Other	34.027	38.677	40.534
Navy	2,225.359	3,326.987	3,501.570
O&M, Navy	1,524.577	2,270.494	2,389.882
O&M, Navy Reserve	47.995	72.354	76.133
Aircraft Procurement, Navy	140.512	211.855	222.923
Weapons Procurement, Navy	0.113	0.164	0.172
Procurement of Ammunition, Navy & MC	0.002	0.000	0.000
Other Procurement, Navy	36.337	54.773	57.634
Shipbuilding & Conversion, Navy	45.614	68.746	72.340
RDT&E, Navy	2.162	3.274	3.445
Military Construction, Navy & MC	0.015	0.033	0.034
Family Housing, O&M, Navy & MC	2.125	3.208	3.376
Other Navy Appropriations	0.032	0.038	0.042
National Defense Sealift Fund, Navy	0.000	0.000	0.000
Military Personnel, Navy	424.696	640.280	673.729
Reserve Personnel, Navy	1.179	1.768	1.860
General Gift Fund, Navy	0.000	0.000	0.000
Wildlife Conservation, etc. Military Reservations, Navy	0.000	0.000	0.000

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Chain Management Activity Group
 Source of New Orders and Revenue
 Fiscal Year (FY) 2019 Budget Estimates
 February 2018
 SCM Supply Chain
 (Dollars in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Air Force	227.993	334.130	351.240
O&M, Air Force	131.827	198.422	208.830
O&M, Air Force Reserve	0.605	0.911	0.959
O&M, Air National Guard	3.324	5.010	5.272
RDT&E, Air Force	0.430	0.647	0.680
Air Force Procurement Accounts	0.000	0.000	0.000
Aircraft Procurement, Air Force	2.961	4.427	4.663
Missile Procurement, Air Force	0.049	0.058	0.063
Other Procurement, Air Force	-0.042	-0.063	-0.066
Military Construction, Air Force	0.000	0.000	0.000
Family Housing, O&M, Air Force	5.976	9.010	9.480
Military Personnel, Air Force	39.713	59.865	62.992
Reserve Personnel, Air Force	5.393	8.129	8.553
National Guard Personnel, Air Force	10.356	15.611	16.426
International Military Education and Training	0.000	0.000	0.000
Air Force Other	27.401	32.103	33.388
Marine Corps	560.623	839.456	884.099
O&M, MC	325.851	485.516	511.667
O&M, MC Reserve	23.161	34.919	36.743
Procurement, MC	4.348	6.559	6.901
Military Personnel, MC	183.019	275.907	290.324
Reserve Personnel, MC	24.244	36.555	38.464
DoD Appropriated Accounts	2,488.603	3,710.901	3,909.242
O&M, Defense Wide, Defense	99.375	134.800	143.932
RDT&E, Defense-Wide	3.399	5.057	5.333
Procurement, Defense-Wide	1.097	1.656	1.742
National Guard & Reserve Equipment, Defense	0.045	0.072	0.076
Military Construction, Defense-Wide	3.469	5.219	5.492
Family Housing, Defense-Wide	0.000	0.000	0.000
Defense Health Program, Defense	2,328.962	3,511.175	3,694.608
DoD, Base Closure Account 1990	0.000	0.000	0.000
DoD, Base Closure Account 2005	0.000	0.000	0.000
DoD, Base Closure Account	0.113	0.180	0.189
Defense Emergency Response Fund, Defense	0.038	0.072	0.076
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	0.476	0.720	0.758
OSD Appropriated	51.530	51.832	56.907
DoD, Acquisition Workforce Development Fund	0.099	0.118	0.129
b. Orders from Other Activity Groups	14,261.411	9,646.847	10,238.188
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	0.000	0.000	0.000
Army Working Capital Funds	3,771.588	2,583.649	2,749.869
Navy Working Capital Funds	3,005.459	2,075.474	2,206.593
Air Force Working Capital Funds	7,452.725	4,957.023	5,249.688
DLA, Defense Working Capital Fund	2.816	1.935	2.052
DFAS, Defense Working Capital Fund	0.157	0.080	0.094
DECA, Defense Working Capital Fund	3.691	2.398	2.534
Other Working Capital Funds	24.830	26.187	27.252
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	0.000	0.000	0.000
Global Health Programs, State	0.000	0.000	0.000
DoD-VA Health Care Sharing Incentive Fund	0.128	0.090	0.094
Lease of DoD Real Property	0.000	0.000	0.000
Other DoD (no system report)	0.010	0.011	0.012
c. Total DoD	22,943.921	22,596.187	23,884.078

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2019 Budget Estimates
February 2018
SCM Supply Chain
(Dollars in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
d. Other Orders:	2,179.293	1,961.514	2,024.966
Other Federal Agencies	441.750	517.279	528.746
Non-Federal Agencies	392.453	172.966	179.902
Foreign Military Sales	1,345.090	1,271.269	1,316.318
Credit Card Purchases	0.000	0.000	0.000
e. Total New Orders	25,123.214	24,557.701	25,909.044
2. Carry-In Orders	3,671.780	4,248.405	3,980.417
3. Total Gross Orders	28,794.994	28,806.106	29,889.461
4. Carry-Out Orders (-)	-4,248.405	-3,980.417	-3,922.282
5. Sales Proceeds (Disposition Only)	120.387	81.169	78.404
6. Gross Sales (-)	24,666.976	24,906.858	26,045.583
7. Credits & Allowances (-)	-159.431	-170.805	-172.383
8. Net Sales	24,507.545	24,736.053	25,873.200
9. Reimbursable Sales	922.752	1,106.700	1,008.117
10. Total Revenue	25,430.297	25,842.753	26,881.317

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Chain Management Activity Group
Revenue and Costs
Fiscal Year (FY) 2019 Budget Estimates
February 2018
Total Supply Chain Management
(Dollars in Millions)

	FY 2017	FY 2018	FY 2019
Revenue			
Gross Sales	23,499.0	23,687.8	24,587.8
Operations	23,373.5	23,580.0	24,481.9
Capital Surcharge	0.0	0.0	0.0
Capital Investment Recovery excluding Major Construction	125.5	107.8	105.9
Other Income	2,090.7	2,325.7	2,465.9
Reimbursable Income	1,617.4	1,584.6	1,606.6
Other Income	473.3	741.1	859.2
Refunds/Discounts (-)	-159.4	-170.8	-172.4
Total Revenue	25,430.3	25,842.8	26,881.3
Expenses			
Cost of Materiel Sold from Inventory	20,468.1	20,577.0	21,349.4
Salaries and Wages:			
Military Personnel Compensation & Benefits	47.0	44.6	45.6
Civilian Personnel Compensation & Benefits	2,198.7	2,369.6	2,382.1
Travel & Transportation	36.0	40.3	39.8
Materials & Supplies (For internal operations)	41.7	65.5	69.4
Equipment	170.8	105.4	109.9
Other Purchases from Revolving Funds	236.4	253.8	224.8
Transportation of Things	294.5	386.9	396.3
Capital Investment Recovery - Capital	125.5	107.8	105.9
Printing and Reproduction	1.5	3.6	3.2
Advisory and Assistance Service	42.6	56.2	50.6
Rent, Communications, Utilities & Misc. Charges	91.1	153.7	137.0
Other Purchased Services	1,973.2	2,010.4	2,081.7
Total Expenses	25,727.2	26,174.9	26,995.9
Operating Results	-296.9	-332.1	-114.6
Plus Passthroughs or Other	344.9	76.0	48.1
Other Changes Affecting NOR	0.0	0.0	0.0
Cash Surcharge	0.0	0.0	0.0
Capital Surcharge	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Net Operating Results	48.0	-256.1	-66.5
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	0.0	157.7	157.7
Prior Year Accumulated Operating Results	356.8	-30.6	-255.1
Retained Accumulated Operating Results	-435.4	-126.0	163.9
Accumulated Operating Result	-30.6	-255.1	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund (DWWCF)
Energy Management Activity Group
Fiscal Year (FY) 2019 Budget Estimates
FEBRUARY 2018

FUNCTIONAL DESCRIPTION

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

BUDGET HIGHLIGHTS

FY 2018 and FY 2019 reflect adjustments in fuel cost assumptions and are in line with future market projections included in the Office of Management and Budget's (OMB's) economic assumptions.

Operations

DLA Energy Operations include labor, corporate, Information Technology (IT), military personnel and other non-labor programs. FY 2019 reflects an increase to support a technical refresh of two IT systems.

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Total Operations	\$537.9	\$607.6	\$638.8

Sustainment, Restoration, and Modernization (SRM)

DLA Energy has established SRM funding levels based on the results of recent planning studies and the number of projects identified by the Military Services. The SRM program includes Maintenance and Repair, Demolition, Minor Construction (operating), Facility operations, and Non-ADP Equipment (operating). FY 2017 through FY 2019 include funds for Navy

tank inspections and the Recurring Maintenance and Minor Repair program.

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
SRM Program	\$691.1	\$517.9	\$530.5

Transportation

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

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Transportation	\$364.2	\$448.6	\$456.5

Terminal Operations (TOPS)

DLA Energy funds contractor and government operated storage and distribution operations worldwide. Most storage and distribution requirements are funded via multi-year (4 and 5 year contract periods) recurring service contracts and funding requirements change from year to year depending on contract award patterns.

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
TOPS	\$405.7	\$445.5	\$493.1

Quality

Quality includes laboratory support and fuel testing.

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Quality	\$8.1	\$13.4	\$13.5

Environmental

DLA Energy provides funding for environmental compliance and restoration at military service locations that store and manage capitalized fuel. The Defense Fuel Support Points (DFSPs) that store capitalized fuel rely on DLA Energy funding for their environmental program costs to comply with federal, state, and local laws and regulations. Environmental costs include permit fees, oil spill response and other related expenses,

organization fees, waste disposal fees, costs associated with updating spill response plans, sampling and analyzing fees, and remediation costs. FY 2019 increase is to support the environmental remediation at DFSP San Pedro, CA.

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Environmental	\$87.8	\$83.5	\$152.1

Aerospace Energy (AE)

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

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
AE Sales	\$42.1	\$68.7	\$64.0
AE Obligations	\$56.3	\$95.1	\$51.6

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 the U.S. Coast Guard and uses historical sales to estimate requirements for other authorized customers.

(Barrels in Millions)	FY 2017	FY 2018	FY 2019
Net Sales	98.4	97.2	97.0

Net Operating Results (NOR)

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

DLA Energy has \$70.0 million in FY 2017 and FY 2018 for Overseas Contingency Operations (OCO).

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Revenue	\$9,520.2	\$9,926.3	\$10,211.5
Expenses	\$9,408.9	\$10,348.0	\$10,226.7
Operating Results	\$111.3	(\$421.7)	(\$15.2)
Other Changes Affecting NOR			
Transfers	\$0.0	\$0.0	\$0.0
Capital Surcharge	\$8.4	\$0.0	\$0.0
Appropriations	\$70.0	\$70.0	\$0.0
Net Operating Results	\$189.7	(\$351.7)	(\$15.2)
Prior Year Accumulated Operating Results (AOR)	(\$2,331.1)	(\$2,141.4)	(\$2,493.1)
Other Changes Affecting AOR	\$0.0	\$0.0	\$2,508.3
AOR	(\$2,141.4)	(\$2,493.1)	\$0.0

Cash

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

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Disbursements	(\$9,447.8)	(\$10,186.3)	(\$10,198.2)
Collections	\$9,625.3	\$9,812.8	\$10,211.5
Net Outlays	\$177.5	(\$373.5)	\$13.3
Direct Appropriation	\$0.0	\$0.0	\$0.0
OCO Appropriation	\$70.0	\$70.0	\$0.0
Total Change in Cash	\$247.5	(\$304.1)	\$13.3

Unit Cost

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

(Dollar per Barrel)	FY 2017	FY 2018	FY 2019
Energy Petroleum Unit Cost	\$105.99	\$97.16	\$103.64

ENERGY PRICING (PETROLEUM)

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

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

(Dollar per Barrel)	FY 2017	FY 2018	FY 2019
Petroleum Refined Cost	\$76.33	\$81.77	\$79.62
Petroleum Non-Product Cost	\$20.53	\$21.85	\$23.69

The effective standard price per barrel in FY 2017 was \$95.85. The composite standard price in FY 2018 is \$101.01, which is the standard price of \$90.30 (October - December) and the budgeted price of \$104.58 (January - September). The projected standard price is \$104.16 in FY 2019.

The following table provides the standard price for FY 2017 through FY 2019:

(Dollar per Barrel)	FY 2017	FY 2018	FY 2019
Standard Price	\$95.85	\$101.01	\$104.16

INVENTORY

DLA Energy's FY 2019 inventory objective is 54.1 million barrels, of which 34.5 million barrels are War Reserve Materiel (WRM).

In the following table, normal losses refer to spills, evaporation, shrinkage, and contamination.

FY 2017 reflects an accounting adjustment to correct prior year overstatement of gains and losses from FY 2013 through FY 2015.

(Barrels in Millions)	FY 2017	FY 2018	FY 2019
<u>Beginning Inventory</u>	<u>58.2</u>	<u>53.0</u>	<u>54.1</u>
Peacetime Operating	23.7	18.5	19.6
WRM	34.5	34.5	34.5
Receipts	98.3	99.3	98.0
Net Sales	(98.4)	(97.2)	(97.0)
Returns without Credit	0.0	0.0	0.0
Net Gains/Losses (normal)	(5.1)	(1.0)	(1.0)
Combat Losses	<u>(0.0)</u>	<u>0.0</u>	<u>0.0</u>
<u>Ending Inventory</u>	<u>53.0</u>	<u>54.1</u>	<u>54.1</u>
Peacetime Operating	18.5	19.6	19.6
WRM	34.5	34.5	34.5

MANPOWER

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

(Manpower)	FY 2017	FY 2018	FY 2019
End Strength			
Military	15	22	22
Civilian	1,316	1,346	1,345
Total	1,331	1,368	1,367
FTEs			
Military	15	22	22
Civilian	1,253	1,291	1,290
Total	1,268	1,313	1,312

CAPITAL

The capital budget investments exceed the \$250,000 investment criteria for the Automated Data Processing Equipment (ADPE), non-ADPE, software development, and minor construction categories. Minor construction is limited to projects valued less than \$750,000.

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Equipment (non-ADP)	\$16.0	\$14.9	\$14.1
Software Development	\$0.0	\$0.0	\$0.0
Minor Construction	\$35.9	\$35.6	\$36.3
Total	\$51.9	\$50.5	\$50.4

OVERSEAS CONTINGENCY OPERATIONS (OCO) SUPPLEMENTAL REQUEST

The transfer requests below are in support of operations in Afghanistan, primarily NATO Support and Procurement Agency (NSPA), which provides fuel-related services in theater. FY 2017 and FY 2018 reflect DLA Energy's share of support from NSPA. DLA Energy will use prior year OCO operating authority to fund FY 2019 requirements.

(Dollars in Millions)	FY 2017	FY 2018	FY 2019
Combat Fuel Losses	\$0.0	\$0.0	\$0.0
Fuel Transportation, TOPS & AE (Operations)	\$64.6	\$70.0	\$0.0
Total OCO	\$64.6	\$70.0	\$0.0

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2019 Budget Estimates
 February 2018
 FY 2017
 (Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
ENERGY MISSION	9,452.189	9,452.189	14,904.815	0.000	59.607	14,964.422	51.877	0.000	15,016.299
AEROSPACE	42.142	42.142	56.346	0.000	5.000	61.346	0.000	0.000	61.346
REIMBURSABLE	1.195	1.195	10.927	0.000	0.000	10.927	0.000	0.000	10.927
TOTAL	9,495.526	9,495.526	14,972.089	0.000	64.607	15,036.696	51.877	0.000	15,088.572

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2019 Budget Estimates
 February 2018
 FY 2018
 (Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
ENERGY MISSION	9,818.475	9,818.475	9,381.168	0.000	70.000	9,451.168	50.530	2,500.000	12,001.698
AEROSPACE	68.678	68.678	95.072	0.000	0.000	95.072	0.000	0.000	95.072
REIMBURSABLE	0.000	0.000	29.919	0.000	0.000	29.919	0.000	0.000	29.919
TOTAL	9,887.153	9,887.153	9,506.159	0.000	70.000	9,576.159	50.530	2,500.000	12,126.689

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Supply Management Summary by Division
 Fiscal Year (FY) 2019 Budget Estimates
 February 2018
 FY 2019
 (Dollars in Millions)

DIVISION	Net Customer Orders	Net Sales at Standard	Obligation Targets					Variability Target	Total Target
			Operating	Mobilization	Direct APPN	Total Operating Obligations	Total Capital Obligations		
ENERGY MISSION	10,107.791	10,107.791	10,039.469	0.000	0.000	10,039.469	50.443	2,500.000	12,589.912
AEROSPACE	64.001	64.001	51.583	0.000	0.000	51.583	0.000	0.000	51.583
REIMBURSABLE	0.000	0.000	30.282	0.000	0.000	30.282	0.000	0.000	30.282
TOTAL	10,171.792	10,171.792	10,121.334	0.000	0.000	10,121.334	50.443	2,500.000	12,671.777

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2017
(Dollars in Millions)

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	3,991.5	1,505.8	2,485.8	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	507.7	381.4	126.2	0.0
c. Inventory Reclassified and Repriced	4,499.2	1,887.2	2,612.0	0.0
3. PURCHASES	7,520.6	7,520.6	0.0	0.0
4. GROSS SALES AT COST	-7,719.6	-7,719.6	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 (+)	191.6	191.6	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	(385.7)	(385.7)	0.0	0.0
Retail/Wholesale Losses	-385.7	-385.7	0.0	0.0
Combat Losses (-)	0.0	0.0	0.0	0.0
h. Total Adjustments	-194.1	-194.1	0.0	0.0
6. INVENTORY - End of Period (EOP)	4,106.0	1,494.0	2,612.0	0.0
7. INVENTORY ON ORDER EOP	4,106.0	1,494.0	2,612.0	0.0
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2018
(Dollars in Millions)

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	4,106.0	1,494.0	2,612.0	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	317.4	108.4	209.1	0.0
c. Inventory Reclassified and Repriced	4,423.4	1,602.4	2,821.1	0.0
3. PURCHASES	8,027.4	8,027.4	0.0	0.0
4. GROSS SALES AT COST	-8,485.3	-8,485.3	0.0	0.0
5. INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from Military Services	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	490.6	490.6	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	(81.8)	(81.8)	0.0	0.0
Retail/Wholesale Losses	-81.8	-81.8	0.0	0.0
Combat Losses (-)	0.0	0.0	0.0	0.0
h. Total Adjustments	408.9	408.9	0.0	0.0
6. INVENTORY - End of Period (EOP)	4,374.4	1,553.3	2,821.1	0.0
7. INVENTORY ON ORDER EOP	4,374.4	1,553.3	2,821.1	0.0
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Inventory Status - Energy
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2019
(Dollars in Millions)

DLA Energy	Total	Demand Based	Mobilization	Non-Demand Based
1. INVENTORY - Beginning of Period (BOP)	4,374.4	1,553.3	2,821.1	0.0
2. BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	-67.2	6.9	-74.2	0.0
c. Inventory Reclassified and Repriced	4,307.1	1,560.2	2,746.9	0.0
3. PURCHASES	7,834.5	7,834.5	0.0	0.0
4. GROSS SALES AT COST	-8,232.6	-8,232.6	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 (+)	477.7	477.7	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	(81.8)	(79.6)	0.0	0.0
Retail/Wholesale Losses	-81.8	-81.8	0.0	0.0
Combat Losses (-)	0.0	0.0	0.0	0.0
h. Total Adjustments	398.1	398.1	0.0	0.0
6. INVENTORY - End of Period (EOP)	4,307.1	1,560.2	2,746.9	0.0
7. INVENTORY ON ORDER EOP	4,307.1	1,560.2	2,746.9	0.0
8. Narrative (Explanation of unusual changes)				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2017
(Dollars in Millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,485.8	2,485.8	0.0
2. Price Change (Memo)	126.2	126.2	0.0
3. Reclassification	2,612.0	2,612.0	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3). Other	0.0	0.0	0.0
5. Inventory EOP	2,612.0	2,612.0	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0	0.0	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2018
(Dollars in Millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,612.0	2,612.0	0.0
2. Price Change (Memo)	209.1	209.1	0.0
3. Reclassification	2,821.1	2,821.1	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3). Other	0.0	0.0	0.0
5. Inventory EOP	2,821.1	2,821.1	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0	0.0	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
War Reserve Material (WRM) Stockpile
Fiscal Year (FY) 2019 Budget Estimates
February 2018
FY 2019
(Dollars in Millions)

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,821.1	2,821.1	0.0
2. Price Change (Memo)	(74.2)	(74.2)	0.0
3. Reclassification	2,746.9	2,746.9	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	2,746.9	2,746.9	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0	0.0	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Stock Rotation/Obsolescence	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Energy Management Activity Group
 Total Cost per Output Summary
 Fiscal Year (FY) 2019 Budget Estimates
 February 2018
 (Dollars in Millions)

Activity: Total Energy Management	FY 2017			FY 2018			FY 2019		
	Unit Cost	Number of Units	Total Cost	Unit Cost	Number of Units	Total Cost	Unit Cost	Number of Units	Total Cost
Energy Management Operating Budget:									
Cost of Fuel per Barrel Sold (Product)	\$ 128.76	98.4	12,665.8	\$ 82.11	97.2	7,981.0	\$ 80.44	97.0	7,806.0
Change in On-Order			144.1			(716.3)			(91.1)
Cost of Fuel per Barrel Sold (non-Product)	\$ 22.41	98.4	2,204.7	\$ 22.42	97.2	2,179.8	\$ 24.14	97.0	2,342.2
OND/OEF costs funded outside the stabilized rate			64.6			70.0			40.0
Cost of Credit Returns	\$ 128.76	2.5	323.1	\$ 82.11	6.0	492.7	\$ 80.44	6.0	482.6
Cost per Dollar of Sales -Aerospace Missile Fuels	NA	NA	56.3	NA	NA	95.1	NA	NA	51.6
Energy Management Direct Reimbursables/Other:									
Other Reimbursables (Utility Privization, Coal, Synfuel, Electricity, etc.)			10.9			29.9			30.3
Total Operating Costs			15,469.6			10,132.1			10,661.7
Less Credit Returns (not allowances)			323.1			492.7			482.6
Less Capital Investment Recovery			109.8			63.3			57.7
Total Operating Obligational Authority			15,036.7			9,576.2			10,121.3
Add Capital Obligation Authority			51.9			50.5			50.4
Total Obligation Authority			15,088.6			9,626.7			10,171.8

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2023 Budget Estimates
February 2018
(Dollars in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
1. New Orders			
a. Orders from DoD Components	6,943.7	7,801.5	7,980.4
Army	884.2	843.3	869.1
O&M, Army	716.4	691.5	712.7
O&M, Army Reserve	16.3	16.1	16.5
O&M - Recovery Act, Army Reserve		0.0	0.0
O&M, Army National Guard	70.6	86.3	88.9
RDT&E, Army	24.4	26.1	26.9
Aircraft Procurement, Army	1.8	1.8	1.9
Missile Procurement, Army	0.3	0.6	0.6
Procurement of Weapons & Tracked Vehicles, Army	0.5	0.0	0.0
Procurement of Ammunition, Army	0.0	0.1	0.1
Other Procurement, Army	0.1	0.1	0.1
Military Construction, Army	1.3	3.7	3.9
Military Construction, Army Reserve	0.0	0.3	0.3
Military Construction, Army National Guard	0.3	2.0	2.0
Family Housing Construction, Army	0.4	0.8	0.8
Family Housing, O&M, Army	0.1	0.1	0.1
Military Personnel, Army	0.2	12.7	13.1
National Guard Personnel, Army	0.5	0.3	0.3
Reserve Personnel, Army	7.9	0.7	0.7
Army Other	43.2	0.0	0.0
Navy	2,206.0	2,301.0	2,351.3
O&M, Navy	1,992.4	2,183.5	2,231.1
O&M, Navy Reserve	101.7	112.5	114.9
Aircraft Procurement, Navy	0.9	1.4	1.5
Weapons Procurement, Navy	0.5	0.5	0.5
Other Procurement, Navy	106.7	0.8	0.8
Shipbuilding & Conversion, Navy	3.2	1.8	1.9
RDT&E, Navy	0.6	0.6	0.6
Military Construction, Navy & MC	0.0	0.0	0.0
Family Housing, O&M, Navy & MC	0.0	0.0	0.0
Military Personnel, Navy	0.0	0.0	0.0
Air Force	3,635.8	4,444.5	4,540.8
O&M, Air Force	2,387.9	3,112.7	3,180.2
O&M, Air Force Reserve	278.2	400.2	408.9
O&M, Air National Guard	734.8	859.0	877.6
RDT&E, Air Force	54.9	69.8	71.3
Aircraft Procurement, Air Force	0.1	0.1	0.1
Missile Procurement, Air Force	0.2	1.0	1.0
Military Construction, Air Force	0.0	0.0	0.0
Family Housing, O&M, Air Force	1.2	1.7	1.7
Reserve Personnel, Air Force	0.0	0.0	0.0
National Guard Personnel, Air Force	0.0	0.0	0.0
Other Procurement, Air Force	178.4	0.0	0.0
Marine Corps	28.2	60.6	62.5
O&M, MC	27.4	56.5	58.3
O&M, MC Reserve	0.8	1.8	1.9
Procurement, MC	0.1	2.3	2.3
DoD Appropriated Accounts	189.4	152.0	156.7
O&M, Defense Wide, Defense	127.9	129.6	133.5
RDT&E, Defense-Wide	0.9	1.8	1.8
Procurement, Defense-Wide	51.3	0.7	0.7
Defense Health Program, Defense	5.4	4.1	4.2
DoD, Base Closure Account 1990	2.3	11.8	12.1
Defense Emergency Response Fund, Defense	1.0	2.7	2.7
Support for International Sporting Competitions, Defense	0.5	1.5	1.5

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2023 Budget Estimates
February 2018
(Dollars in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
b. Orders from Other Activity Groups	1,741.2	1,562.2	1,597.0
Army Working Capital Funds	31.4	50.7	52.3
Navy Working Capital Funds	342.5	539.3	551.1
Air Force Working Capital Funds	348.1	972.2	993.6
DLA, Defense Working Capital Fund	61.2	0.0	0.0
DECA, Defense Working Capital Fund	1.1	0.0	0.0
Other Working Capital Funds	956.4	0.0	0.0
Other DoD (no system report)	0.3	0.0	0.0
Global Health Programs, State	0.3	0.0	0.0
c. Total DoD	8,684.9	9,363.7	9,577.4
d. Other Orders:	1,061.0	1,129.5	1,219.3
Other Federal Agencies	366.6	431.3	472.2
Non-Federal Agencies	576.7	616.8	663.1
Foreign Military Sales	117.7	81.5	84.0
e. Total New Orders	9,745.9	10,493.2	10,796.7
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	9,745.9	10,493.2	10,796.7
4. Carry-Out Orders (-)	0.0	0.0	0.0
5. Sales Proceeds	0.0	0.0	0.0
6. Gross Sales (-)	9,745.9	10,493.2	10,796.7
7. Credits & Allowances (-)	-250.4	-606.1	-625.0
8. Net Sales	9,495.5	9,887.1	10,171.7
9. Reimbursable Sales/Other Income	24.7	39.2	39.8
10. Total Revenue	9,520.2	9,926.3	10,211.5

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Revenue and Expenses
Fiscal Year (FY) 2019 Budget Estimates
February 2018
(Dollars in Millions)

Revenue:	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Gross Sales @ Standard	9,755.6	10,493.2	10,796.8
Operations	9,654.3	10,430.0	10,739.1
Capital Surcharge	-8.4	0.0	0.0
Capital Investment Recovery	109.8	63.3	57.7
Other Income	15.5	39.2	39.7
Refunds/Discounts (-)	-250.4	-606.1	-625.0
Total Income	9,520.8	9,926.3	10,211.5
Adjusted Income	-0.6		
Total Income (allocated)	9,520.2	9,926.3	10,211.5
Expenses:			
Cost of Materiel Sold from Inventory	7,335.7	7,994.7	7,754.9
Inventory Gains/Losses	385.7	81.8	79.6
Salaries and Wages:	185.7	198.7	201.8
Military Personnel Costs	13.8	14.3	14.4
Civilian Personnel Compensation	171.9	184.4	187.4
Travel & Transportation of Personnel	6.9	9.3	9.5
Materials & Supplies (For internal use)	0.4	0.6	0.6
Equipment	0.5	1.8	1.8
Other Purchases from Revolving Funds	323.0	326.1	352.4
Transportation of Things	401.4	459.3	461.9
Capital Investment Recovery	109.8	63.3	57.7
Printing and Reproduction	0.0	0.5	0.5
Advisory and Assistance Services	7.7	21.5	22.4
Rent, Communication, and Utility	2.5	13.3	13.8
Other Purchased Services	649.7	1,177.2	1,269.9
Total Expenses (System)	9,408.9	10,348.0	10,226.7
Allocated Expenses			
Total Expenses (Allocated)	9,408.9	10,348.0	10,226.7
Operating Results	111.3	-421.7	-15.2
Plus Passthroughs or Other	0.0	0.0	0.0
Other Changes Affecting NOR	78.4	70.0	0.0
Cash Surcharge	0.0	0.0	0.0
Capital Surcharge	8.4	0.0	0.0
Transfers	70.0	70.0	40.0
Net Operating Results	189.7	-351.7	-15.2
Prior Year AOR	-2,331.1	-2,141.4	-2,493.1
Other Changes Affecting AOR (Retained AOR)	0.0	0.0	2,508.3
Accumulated Operating Results (AOR)	-2,141.4	-2,493.1	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2019 Budget Estimates
February 2018
(Dollars in Millions)
FY 2017

DOD Sales				
Aerospace Energy	Units	Price Per Unit		Extended Price
Hydrazine Products				
Non-HPH	2,580	\$91.92		\$0.2
HPH Only	10,098	\$117.46		\$1.2
N2O (Tetroxide) Products				
	2,634	\$107.19		\$0.3
Bulk Helium Products				
	3,925	\$285.48		\$1.1
Nitrogen Products				
Non-Vandenberg	3,319	\$6.18		\$0.0
Vandenberg	1,086	\$11.80		\$0.0
Helium Products				
	122,575	\$12.25		\$1.5
Other Products				
Aviator's Breathing Oxygen	3,304,118	\$1.56		\$5.2
Liquid Nitrogen (4769)	1,502,779	\$1.30		\$2.0
JP-10	34,504	\$19.69		\$0.7
Other	See Complete Price List			\$5.9
Total DoD				\$18.0
Non-DOD Sales				
Aerospace Energy	Units	Cost Recovery Per Unit	Unit Product Costs	Extended Price
Hydrazine Products				
Non-HPH	31,573	\$42.32	\$9.75	\$1.6
HPH Only	29,058	\$89.17	\$30.90	\$3.5
N2O (Tetroxide) Products				
	28,125	\$136.03	\$3.36	\$3.9
Bulk Helium Products				
	4,916	\$110.68	\$155.99	\$1.3
Nitrogen Products				
Non-Vandenberg	167,807	\$1.88	\$5.30	\$1.2
Vandenberg	248,439	\$7.95	\$7.46	\$3.8
Other Products				
	See Complete Price List			\$7.6
Total Non-DoD				\$23.0
Total				\$41.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2019 Budget Estimates
(Dollars in Millions)
FY 2018

DOD Sales				
Aerospace Energy	Units	Price Per Unit		Extended Price
Hydrazine Products				
Non-HPH	9,288	\$146.54		\$1.4
HPH Only	1,403	\$177.44		\$0.2
N2O (Tetroxide) Products				
	5,068	\$151.93		\$0.8
Bulk Helium Products				
	5,379	\$278.72		\$1.5
Nitrogen Products				
Non-Vandenberg	5,503	\$7.50		\$0.0
Vandenberg	3,600	\$15.72		\$0.1
				\$0.0
Helium Products				
	15,000	\$33.21		\$0.5
Other Products				
Aviator's Breathing Oxygen	3,618,090	\$1.64		\$5.9
Liquid Nitrogen (4769)	1,606,706	\$1.42		\$2.3
JP-10	41,943	\$27.50		\$1.2
Other	See Complete Price List			\$2.9
Total DoD				\$16.7
Non-DOD Sales				
Aerospace Energy	Units	Cost Recovery Per Unit	Unit Product Costs	Extended Price
Hydrazine Products				
Non-HPH	34,271	\$146.54	0.00	\$5.0
HPH Only	37,514	\$146.55	30.90	\$6.7
N2O (Tetroxide) Products				
	36,688	\$149.44	2.49	\$5.6
Bulk Helium Products				
	2,885	\$127.18	151.51	\$0.8
Nitrogen Products				
Non-Vandenberg	177,936	\$2.20	5.28	\$1.3
Vandenberg	356,400	\$8.42	6.94	\$5.5
Other Products				
	See Complete Price List			\$27.1
Total Non-DoD				\$52.0
Total				\$68.7

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2019 Budget Estimates
(Dollars in Millions)
FY 2019

DOD Sales				
Aerospace Energy	Units	Price Per Unit		Extended Price
Hydrazine Products				
Non-HPH	1,729	\$310.46		\$0.5
HPH Only	1,347	\$340.56		\$0.5
N2O (Tetroxide) Products				
	11,250	\$295.78		\$3.3
Bulk Helium Products				
	6,553	\$318.82		\$2.1
Nitrogen Products				
Non-Vandenberg	6,228	\$8.96		\$0.1
Vandenberg	3,000	\$18.56		\$0.1
Helium Products				
	120,000	\$30.93		\$3.7
Other Products				
Aviator's Breathing Oxygen	1,295,555	\$1.64		\$2.1
Liquid Nitrogen (4769)	3,119,025	\$1.42		\$4.4
Other	See Complete Price List			\$5.0
Total DoD				\$21.8
Non-DOD Sales				
Aerospace Energy	Units	Cost Recovery Per Unit	Unit Product Costs	Extended Price
Hydrazine Products				
Non-HPH	12,511	\$311.26	0.00	\$3.9
HPH Only	27,588	\$310.29	30.00	\$9.4
N2O (Tetroxide) Products				
	25,550	\$287.47	8.17	\$7.6
Bulk Helium Products				
	3,557	\$141.23	177.55	\$1.1
Nitrogen Products				
Non-Vandenberg	249,362	\$2.38	6.58	\$2.2
Vandenberg	297,000	\$10.51	8.05	\$5.5
Other Products				
	See Complete Price List			\$12.5
Total Non-DoD				\$42.2
Total				\$64.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2019 Budget Estimates
February 2018
(Dollars in Millions)
FY 2017

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	\$116.79	\$0.8				
AVGAS (OCONUS) - 100(LL)	0.0	\$400.66	\$3.6				
Diesel Fuel:							
Distillates - F76	13.0	\$93.01	\$1,211.1				
High Sulfur - DF1	0.0	\$94.92	\$0.0				
Generic (High Sulfur) - DF2	1.3	\$85.37	\$114.0				
Ultra Low Sulfur - DS1	0.2	\$98.96	\$22.7				
Ultra Low Sulfur - DS2	0.9	\$91.73	\$78.7				
Burner Grade - FS1	0.1	\$100.99	\$5.3				
Burner Grade - FS2	0.2	\$79.65	\$13.1				
Biodiesel - BDI	0.1	\$90.03	\$6.7				
Jet Fuel:							
JP8 & JA1	25.5	\$93.61	\$2,386.9				
JAA	32.6	\$92.63	\$3,017.0				
JP5	9.8	\$94.89	\$926.1				
JTS	0.1	\$145.11	\$14.5				
Kerosene - KS1	0.0	\$94.89	\$0.1				
Motor Gasoline:							
Regular, Unleaded - MUR	0.4	\$78.36	\$28.6				
Midgrade, Unleaded - MUM	0.3	\$89.08	\$25.3				
Premium, Unleaded - MUP	0.0	\$105.08	\$0.6				
Gasohol - GUM	0.0	\$95.48	\$0.9				
Ethanol - E85	0.2	\$85.32	\$13.3				
Residual:							
Burner Grade - FS4	0.0	\$60.06	\$0.5				
Residual (Burner Grade) - FS6	0.0	\$47.31	\$0.8				
FOR	0.0	\$18.54	\$0.9				
Bunkers - Marine - MGO	1.6	\$93.06	\$145.4				
Bunkers - Intermediate Grade - 180, 380	0.1	\$70.28	\$5.0				
Intoplane - Jet Fuel - IAL, IAA, IAB, IP8	4.1	\$106.29	\$432.6				
Non-Contract - Jet Fuel - NAL, NAA	1.1	\$121.36	\$129.8				
Non-Contract - Ground Fuel - NLS, NMU	0.4	\$98.83	\$39.4				
Afghanistan - NNN	0.8	\$268.74	\$212.6				
Afghanistan - NNF	0.2	\$303.49	\$49.7				
Rounding Factor & Other Products	5.7	N/A	\$566.0				
TOTAL	98.4	\$95.03	\$9,452.2				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2019 Budget Estimates
February 2018
(Dollars in Millions)
FY 2018

Budget Petroleum Data	PROCURED FROM DLA ENERGY			PROCURED BY SERVICE			
	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
Petroleum Products							
AVGAS (CONUS) - 130	0.0	\$118.86	\$0.8				
AVGAS (OCONUS) - 100(LL)	0.0	\$467.88	\$4.2				
Diesel Fuel:							
Distillates - F76	12.9	\$105.42	\$1,356.5				
High Sulfur - DF1	0.0	\$104.58	\$0.0				
Generic (High Sulfur) - DF2	1.3	\$94.08	\$124.1				
Ultra Low Sulfur - DS1	0.2	\$107.52	\$24.4				
Ultra Low Sulfur - DS2	0.8	\$100.80	\$85.5				
Burner Grade - FS1	0.1	\$102.06	\$5.3				
Burner Grade - FS2	0.2	\$90.30	\$14.6				
Biodiesel - BDI	0.1	\$100.80	\$7.5				
Jet Fuel:							
JP8 & JA1	25.2	\$101.01	\$2,545.0				
JAA	32.2	\$103.74	\$3,338.9				
JP5	9.6	\$105.84	\$1,020.8				
JTS	0.1	\$162.54	\$16.0				
Kerosene - KS1	0.0	\$102.90	\$0.1				
Motor Gasoline:							
Regular, Unleaded - MUR	0.4	\$102.06	\$36.8				
Midgrade, Unleaded - MUM	0.3	\$107.94	\$30.2				
Premium, Unleaded - MUP	0.0	\$120.96	\$0.6				
Gasohol - GUM	0.0	\$107.94	\$1.0				
Ethanol - E85	0.2	\$102.06	\$15.8				
Residual:							
Burner Grade - FS4	0.0	\$66.36	\$0.5				
Residual (Burner Grade) - FS6	0.0	\$52.50	\$0.9				
FOR	0.0	\$39.48	\$1.9				
Bunkers - Marine - MGO	1.5	\$108.78	\$168.0				
Bunkers - Intermediate Grade - 180, 380	0.1	\$78.54	\$5.5				
Intoplane - Jet Fuel - IA1, IAA, IAB, IP8	4.0	\$118.86	\$478.0				
Non-Contract - Jet Fuel - NA1, NAA	1.1	\$127.68	\$134.9				
Non-Contract - Ground Fuel - NLS, NMU	0.4	\$109.62	\$43.2				
Afghanistan - NNJ	0.8	\$273.00	\$213.5				
Afghanistan - NNF	0.2	\$304.50	\$49.3				
Rounding Factor & Other Products	5.6	N/A	\$351.6				
TOTAL	97.2	\$101.01	\$10,075.5				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy Management Activity Group
Fuel Data
Fiscal Year (FY) 2019 Budget Estimates
February 2018
(Dollars in Millions)
FY 2019

Budget Petroleum Data	PROCURED FROM DLA ENERGY			PROCURED BY SERVICE			
	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
Petroleum Products							
AVGAS (CONUS) - 130	0.0	\$119.28	\$0.8				
AVGAS (OCONUS) - 100(LL)	0.0	\$469.56	\$4.2				
Diesel Fuel:							
Distillates - F76	12.8	\$105.84	\$1,359.6				
High Sulfur - DF1	0.0	\$105.00	\$0.0				
Generic (High Sulfur) - DF2	1.3	\$94.50	\$124.5				
Ultra Low Sulfur - DS1	0.2	\$107.94	\$24.4				
Ultra Low Sulfur - DS2	0.8	\$101.22	\$85.7				
Burner Grade - FS1	0.1	\$102.48	\$5.3				
Burner Grade - FS2	0.2	\$90.72	\$14.7				
Biodiesel - BDI	0.1	\$101.22	\$7.5				
Jet Fuel:							
JP8 & JA1	25.2	\$104.16	\$2,620.0				
JAA	32.1	\$104.16	\$3,346.8				
JP5	9.6	\$106.26	\$1,023.1				
JTS	0.1	\$163.38	\$16.1				
Kerosene - KS1	0.0	\$103.32	\$0.1				
Motor Gasoline:							
Regular, Unleaded - MUR	0.4	\$102.48	\$36.9				
Midgrade, Unleaded - MUM	0.3	\$108.36	\$30.3				
Premium, Unleaded - MUP	0.0	\$121.38	\$0.6				
Gasohol - GUM	0.0	\$108.36	\$1.0				
Ethanol - E85	0.2	\$102.48	\$15.8				
Residual:							
Burner Grade - FS4	0.0	\$66.78	\$0.5				
Residual (Burner Grade) - FS6	0.0	\$52.92	\$0.9				
FOR	0.0	\$39.90	\$1.9				
Bunkers - Marine - MGO	1.5	\$109.20	\$168.3				
Bunkers - Intermediate Grade - 180, 380	0.1	\$78.96	\$5.6				
Intoplane - Jet Fuel - IA1, IAA, IAB, IP8	4.0	\$119.28	\$478.9				
Non-Contract - Jet Fuel - NA1, NAA	1.1	\$128.10	\$135.1				
Non-Contract - Ground Fuel - NLS, NMU	0.4	\$110.04	\$43.3				
Afghanistan - NNJ	0.8	\$273.00	\$213.1				
Afghanistan - NNF	0.2	\$304.50	\$49.2				
Rounding Factor & Other Products	5.6	N/A	\$353.8				
TOTAL	97.0	\$104.16	\$10,168.2				

**Defense Logistics Agency
 Defense Wide Working Capital Fund (DWWCF)
 DLA Document Services
 Fiscal Year (FY) 2019 Budget Estimates
 February 2018**

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

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

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

CUSTOMERS:

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

(In millions)

	FY17	FY18	FY19
Army	52,383	56,988	61,695
Navy	105,131	145,404	157,417
USAF	32,631	44,613	48,300
DoD	116,341	101,325	109,696
Other Federal	16,884	27,909	30,214
Non-Federal	398	196	212
Total New Orders	323,768	376,435	407,534

BUDGET HIGHLIGHTS

The submission reflects growth in the Equipment Management Solutions (EMS) program through a strategic focus on providing comprehensive Managed Print Services. Managed Print Services involves the management of office print devices through a device assessments process and a leveraged acquisition approach. The program driver is the Department of Navy (DoN) DLA Mandatory Print Device Initiative. The DoN established DLA Document Services as the single manager for Navy and United States Marine Corps (USMC) office document devices. DLA will manage approximately 70,000 printing-related devices throughout the DoN and the USMC when full implementation of the initiative is completed. The submission also includes an accelerated growth in US Coast Guard requirements due to the finalization of their Support Agreement and the successful assessment results implementation at several pilot sites. Additionally, the submission accounts for the launch of a new service offering for device fleet monitoring software and service.

DLA Document Services is teaming with DLA Aviation, DLA Distribution and National Geospatial-Intelligence Agency (NGA) to establish a new model for Map Support Office (MSO) at NAS North Island, San Diego. The new model will be patterned after the Ft. Bragg model that is already in operation. To support the DoD map mission, DLA is establishing a new model of MSO for the customer mission, including critical deployment requirements, contingency stock, and customer training in support of the various Navy and Marine commands located on the west coast. The new model will ensure that shelf stock will exactly compliment maps available from print-on-demand.

DLA Document Services began Phase III of its partnership with NGA. Phase III of the implementation commenced in June 2016 and involves the partnership between NGA and the Department of Transportation Federal Aviation Administration (FAA). NGA will be taking the responsibility for the FAA National Aeronautical Navigation products. This includes Visual Flight Rules, Instrument Flight Rules charting products, and Airport/Facility Directory, all of which are critical to the safety of air navigation. The majority of the products are critical to flight safety, and are time-sensitive in accordance with the international Aeronautical Information Regulation and Control cycle. DLA Document Services will accomplish this workload using a combination of in-house capability and contract support.

DLA Document Services entered final phase of scanning for detainee records. We are working on a multiyear project to create a digital, indexed source of intelligence records for the U.S. Army Office of the Provost Marshal General (OPMG). We are also scanning and storing the 10-12 million pages for records from Operation Enduring Freedom, Operation Iraqi Freedom, and Guantanamo Bay, Cuba. Converting these records to digital format will help OPMG maintain accountability and availability of the records. As the records are scanned and stored, DLA Document Services is conducting a 100 % quality review of all records to ensure accuracy, completeness, readable resolution, and accurate cross-referencing, and has secured handling of the documents.

UNIT COST AND PRICING

	<u>FY 2017 Goal</u>	<u>FY 2017 Actual</u>
Unit Cost per In-house Production Unit	0.1800	0.1538

DLA measures the effectiveness of program budgeting and execution with a unit cost performance measure. During FY 2017, DLA Document Services exceeded their unit cost goal due to 52% higher than anticipated in-house production units. Primary driver for the unit increase was for address printing, labeling and mailing. Additionally, actual in-house costs were \$13.2 million lower than planned.

	<u>FY 2017 Goal</u>	<u>FY 2017 Actual</u>
Composite Customer Rate Change	1.15%	-6.75%

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 lower than planned composite customer rate change in FY 2017 was Document Services' increase in unit-based output while the commercial program was lower than projected.

	FY 2017	FY 2018	FY 2019
Unit Cost			
In-House Production	0.1042	0.1833	0.1803
Customer Rate	0.1137	0.1844	0.1899
Composite Customer Rate Change	-6.75%	-1.30%	1.87%

ANALYSIS OF BUDGET STATEMENTS

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

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

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

DLA Document Services FY 2017 NOR ended at \$29 million. The FY 2017 result is higher than the goal of \$4.6 million, primarily due to higher than projected in-house production as well as a lower than anticipated costs for facility rents and utilities. Higher than anticipated Net Operating Results and Accumulated Operating Results in execution are driving lower prices to customers for FY 2019.

	FY 2017	FY 2018	FY 2019
Revenue	316.192	383.975	376.961
Cost of Goods Sold	287.190	386.115	407.419
Cash Surcharge			
Capital Surcharge			
Inventory Surcharge			
Other Changes Affecting NOR	0	0	0
Net Operating Results	29.002	(2.140)	(30.458)
Prior Year Accumulated Operating Results	.447	32.598	30.458
Non-Recoverable Adjustment Impacting AOR			
Ending Accumulated Operating Result	32.598	30.458	0.000
Workload			
In-House Production (Units)	959.4	626.8	627.6

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

	FY 2017	FY 2018	FY 2019
Expense (less CIR)	287.190	386.115	407.419
Capital Disbursements	0.000	2.902	2.908
Accounts Payable Change	(21.145)	11.820	27.471
Disbursements	308.335	377.197	382.856
Revenue	316.192	383.975	376.961
Accounts Receivable Change	(3.678)	5.283	1.749
Collections	319.870	378.692	375.212
Net Outlays	(11.535)	(1.495)	7.644

Accounts payable and accounts receivable projected to increase in fiscal year 2018 due to the increased Equipment Management Solutions (EMS) requirements. In FY 2019, an increase in accounts payable is expected for EMS leases; however, revenue will be lower in order to achieve a zero AOR by the end of FY 2019.

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

	FY 2017	FY 2018	FY 2019
Civilian End Strength	576	644	644
Civilian Full-Time Equivalents	598	634	634

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

(\$M)	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Capital Budget Program			
Equipment (Non-ADPE)	0.000	0.000	0.000
Equipment (ADPE)	0.000	0.000	0.000
Software Development (SWD)	0.000	2.572	2.572
<u>Minor Construction</u>	<u>0.000</u>	<u>0.330</u>	<u>0.336</u>
Total	0.000	2.902	2.908

For FY 2017, requirements was below the \$250,000 capital threshold and did not require capital funds. DLA Document Services will restore requirements for software development in 2018 and 2019. Minor construction will support renovations and alterations to administrative and operational facilities.

SERVICE LEVEL BILLING TO SERVICES

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

Electronic Document Access

(\$M)	FY 17	FY 18	FY 19
Army	2.750	2.668	2.571
Navy	2.062	2.000	1.954
Air Force	2.750	2.668	2.571
Marine Corps	0.687	0.666	0.617
DLA	2.750	2.668	2.571
Total	10.999	10.670	10.284

Wide Area Workflow*

(\$M)	FY 17	FY 18	FY 19
Army	3.877	5.025	5.243
Navy	3.031	3.929	4.051
Air Force	2.256	2.924	3.098
Marine Corps	0.564	0.732	0.715
DLA	4.800	6.222	6.434
DCMA	3.172	4.112	4.289
Total	17.700	22.944	23.830

* Totals may not match due to rounding

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 DLA Document Services
 Changes in the Cost of Operation
 Fiscal Year (FY) 2019 Budget Estimates
 February 2018

	<u>Cost</u>
FY 17 Actual:	287.2
FY 18 Estimate in President's Budget	386.1
Estimated Impact in FY 17 of Actual	
FY 17 Experience	
Civilian Personnel	4.5
Travel of Persons	0.2
Material & Supplies	(6.0)
Commercial Equipment Purchases	3.3
Other Purchased Services from Revolving Fund	6.7
Transportation of things	0.2
Printing and Reproduction	16.1
Advisory and Assistance Services	(4.1)
Rent, Communications, Utilities, and Misc	47.4
Other Purchased Services	15.3
Capital Investment Recovery	1.0
Pricing Adjustments:	
Annualization of FY 17 Pay Raise	0.2
FY 18 Pay Raise	0.7
General Purpose Inflation	3.8
Program Changes:	
Civilian Personnel	1.2
Travel of Persons	(0.1)
Material & Supplies	(5.7)
Commercial Equipment Purchases	(0.6)
Other Purchased Services from Revolving Fund	4.3
Transportation of things	(0.1)
Printing and Reproduction	1.7
Advisory and Assistance Services	0.3
Rent, Communications, Utilities, and Misc	(14.0)
Other Purchased Services	3.0
Capital Investment Recovery	(0.0)
FY 18 Current Estimate	386.1
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.2
FY 19 Pay Raise	0.0
General Purpose Inflation	5.6
Program Changes:	
Civilian Personnel	1.2
Travel of Persons	(0.2)
Material & Supplies	(4.7)
Commercial Equipment Purchases	(0.6)
Other Purchased Services from Revolving Fund	4.1
Transportation of things	(0.3)
Printing and Reproduction	2.2
Advisory and Assistance Services	0.1
Rent, Communications, Utilities, and Misc	2.9
Other Purchased Services	(0.8)
Capital Investment Recovery	(0.0)
FY 19 Current Estimate	407.4

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Document Services
Fiscal Year (FY) 2019 Budget Estimates
Source of New Orders and Revenue
(\$ in Millions)
February 2018

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
1. New Orders			
a. Orders from DoD Components	218.329	261.861	283.496
Department of the Navy	96.771	131.221	142.062
Operations and Maintenance, Navy	59.013	76.792	83.136
Operations and Maintenance, Marine Corps	25.447	39.611	42.884
O&M, Navy Reserve	2.218	3.786	4.099
O&M, Marine Corps Reserve	0.784	1.369	1.482
Aircraft Procurement, Navy	0.987	0.954	1.033
Shipbuilding & Conversion, Navy	0.814	0.888	0.961
Research, Development, Test & Eval, Navy	0.503	0.861	0.932
Military Construction, Navy	0.001	0.001	0.001
Other Navy Appropriations	1.010	1.150	1.245
Credit Card Purchases, Navy	5.994	5.809	6.289
Department of the Army	48.358	51.815	56.095
Army Operation and Maintenance	36.126	38.800	42.005
O&M, Army Reserve	0.744	0.417	0.451
Army National Guard	1.234	1.547	1.674
Army Res, Dev, Test & Eval Accounts	2.510	1.316	1.425
Army Procurement Accounts	0.991	0.634	0.686
Army Other	0.074	0.214	0.232
Credit Card Purchases, Army	6.679	8.887	9.622
Department of the Air Force	26.266	37.083	40.148
Air Force Operation & Maintenance	20.027	29.433	31.864
O&M, Air Force Reserve	0.369	0.385	0.417
Air Force National Guard	0.385	0.425	0.460
Air Force Res, Dev, Test & Eval Accounts	0.872	0.317	0.344
Air Force Procurement Accounts	0.541	0.624	0.676
Air Force Other	0.200	1.254	1.358
Credit Card Purchases, Air Force	3.872	4.645	5.029
DoD Appropriated Accounts	46.934	41.742	45.191
Operation & Maintenance Accounts	21.696	19.100	20.678
Res, Dev, Test & Eval Accounts	0.813	0.002	0.002
Procurement Accounts	0.047	0.085	0.092
Military Construction, Defense	0.000	0.000	0.000
Defense Health Program	19.622	16.931	18.330
DoD Other	0.706	0.476	0.515
Credit Card Purchases, Defense	4.050	5.148	5.574
b. Orders from other Fund Activity Groups	88.157	86.469	93.612
Navy	8.360	14.183	15.355
Army	4.025	5.173	5.600
Air Force	6.365	7.530	8.152
Other DoD	69.407	59.583	64.505
c. Total DoD	306.486	348.330	377.108
d. Other Orders	17.282	28.105	30.426
Other Federal Agencies	16.670	27.126	29.367
Credit Card Purchases	0.214	0.783	0.847
Non-Federal Agencies and Other	0.398	0.196	0.212
Total New Orders	323.768	376.435	407.534
2. Carry-In Orders	29.034	35.890	28.350
3. Total Gross Orders	352.802	412.325	435.884
4. Funded Carry-Over	35.890	28.350	28.150
5. Total Gross Sales	316.912	383.975	407.734

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
DLA Document Services
Revenue and Cost
Fiscal Year (FY) 2019 Budget Estimates
February 2018

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Revenue			
Gross Sales	316.192	383.975	376.961
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:	316.192	383.975	376.961
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	48.450	53.870	54.041
Travel & Transportation of Personnel	0.232	0.435	0.443
Materials & Supplies (For Internal Operations)	21.045	13.451	14.655
Equipment Purchases	6.815	8.147	8.146
Other Purchases from Revolving Funds	11.716	19.512	19.669
Transportation of Things	1.715	1.890	1.933
Capital Investment Recovery	0.274	0.505	0.288
Printing and Reproduction	56.841	72.931	74.181
Advisory and Assistance Services	4.864	1.093	0.777
Rent, Communications, Utilities, & Misc. Charges	58.739	110.302	131.588
Other Purchased Services	76.499	103.979	101.698
Total Expenses:	287.190	386.115	407.419
Operating Result	29.002	(2.140)	(30.458)
Net Operating Result	29.002	(2.140)	(30.458)
Prior Year Adjustments			
Prior Year AOR	0.447	32.598	30.458
Accumulated Operating Result	29.449	30.458	0.000
Non-Recoverable Adjustment Impacting AOR:			
Deferred Operating Results and Depreciation	3.149		
Accumulated Operating Results for Budget Purposes	32.598	30.458	0.000