

**DEFENSE LOGISTICS AGENCY**  
**Defense National Stockpile Center**  
**FY 2001 Budget Estimate**

The National Defense Stockpile Center (DNSC) operates under the authority of the Strategic and Critical Stock Piling Act (50 U.S.C. 98-h-2 (a)). This act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign source of supply in times of a national emergency. The DNSC administers the acquisition, storage, management, and disposal of the Nation's inventory of strategic and critical materials.

The FY 2001 Budget Estimate recognizes that the international commodities market is extremely volatile today. The Russian and Asian economies are in recession and turmoil, which directly affects our ability to sell our commodities at previously experienced high prices. However, DNSC is selling the expected quantities of material. Thus, last year's plan to sell out of and vacate all but 71 storage locations by the end of FY 1999 is still on track. During FY 1999, DNSC closed eleven storage locations; FY 2000 and FY 2001 goals are to vacate eight and eleven locations, respectively. Delays in shipping sold material or mandatory environmental cleanups may impede DNSC's ability to achieve these goals.

DNSC's current sales program reflects the June 30, 1999 market prices with a 20 percent uncertainty factor to accommodate the volatility in the commodity market today. The plan includes sales forecasts for all authorized commodities. Projected staffing levels may be impacted by delays in shipping sold material. These would be reflected in increased use of temporary and summer hires as required to maintain and ship material. DNSC will also use contractual services when necessary.

We have classified the sales plan by two main categories that represent what DNSC has been authorized by law to sell and what has been proposed in new laws:

Authorized

- ◆ Principle Sales
- ◆ Foreign Military Sales
- ◆ Treasury and Health & Human Services (HHS)
- ◆ Treasury General Fund

## **Principle Sales**

Our Principle Sales consist of disposals of commodities that were considered excess to the needs of national security prior to FY 1996. In May 1995, the Deputy Under Secretary of Defense (Industrial Affairs) released a report on DNSC requirements that reduced Stockpile goal commodities to \$24 million. The remaining \$6 billion were considered excess to the needs of the national defense. No new commodities were authorized for disposal in FY 1996. Therefore, commodities that were authorized prior to the release of this report are considered "principle business" and not related to the revised requirements. As was the case in FY 1999 and FY 2000, the DNSC will transfer \$150 million in FY 2001 from receipts generated from Principle Sales to the Military Department's Operation and Maintenance Accounts.

## **Foreign Military Sales**

Section 3402 of the FY 2000 Defense Authorization Act, P.L. 106-65, authorized additional disposals to offset losses to the U.S. Treasury that would be incurred due to reduced surcharges in the Foreign Military Sales program. The following commodities and tonnage were authorized:

Aluminum	62,881 short tons
Cobalt	26,000,000 pounds
Columbium Ferro	930,911 pounds contained
Germanium metal	40,000 kilograms
Indium	35,000 troy ounces
Palladium	15,000 troy ounces
Platinum	10,000 troy ounces
Rubber, Natural	125,138 long tons
Tantalum, Various types	796,000 pounds contained

The sales of this material generated proceeds of \$321.2 million through FY 1998 and will generate a cumulative total of \$720 million by end of FY 2006. Receipts are to be transferred from the DNSC Transaction Fund (T-Fund) and deposited into the General Fund of the U.S. Treasury as receipts are realized. To date, DNSC has transferred \$290 million through FY 1999. DNSC will transfer \$62 million in each of the next fiscal years, FY 2000 and FY 2001.

## **Treasury and HHS**

The FY 1999 Defense Authorization Act, PL 105-261, authorized additional disposals of commodities. The receipts from these sales are to be transferred from the DNSC T-fund and deposited into the U.S. Treasury. A portion of the receipts will be transferred to the Secretary of Health and Human Services. To date, DNSC has transferred \$105 million through FY 1999, \$102 million to the Treasury and \$3 million to Health and Human Services. Transfers to the Treasury are planned in the amount of \$75 million in FY 2000 and \$99 million in FY 2001. Transfers to Health and Human Services are planned in the amount of \$22 million in FY 2000 and \$28 million in FY 2001. The following commodities and tonnage were authorized:

Bauxite Refractory	29,000 long calcined ton
Beryllium Metal	100 short tons
Chromite Chemical	34,000 short dry tons
Chromite Refractory	159,000 short dry tons
Chromium Ferroalloy	125,000 short tons
Columbium Carbide Powder	21,372 pounds
Columbium Concentrates	1,733,454 pounds
Columbium Ferro	249,396 pounds
Columbium Metal-Ingots	161,123 pounds
Diamond, Stones	3,000,000 carats
Germanium Metal	28,198 kilograms
Graphite natural Ceylon Lump	5,492 short tons
Indium	14,248 troy ounces
Mica Miscovite Block	301,000 pounds
Mica phlogopite Block	130,745 pounds
Platinum	439,887 troy ounces
Platinum-Iridium	4,450 troy ounces
Platinum-Palladium	750,000 troy ounces
Tantalum Carbide Powder	22,688 pounds
Tantalum Metal Ingots	125,000 pounds
Tantalum Metal Powder	125,000 pounds
Tantalum Minerals	1,751,364 pounds
Tantalum Oxide	122,730 pounds
Tungsten Carbide Powder	2,032,896 pounds
Tungsten Ferro	2,024,143 pounds
Tungsten Metal Powder	1,898,009 pounds
Tungsten Ores & Concentrates	76,358,235 pounds

**Treasury General Fund**

Section 3402 of the FY 2000 Defense Authorization Act, P.L. 106-65, contains a list of materials to be disposed of with the resulting revenue deposited into the General Fund of the Treasury. In addition, there are cumulative revenue targets of \$100 million by the end of FY 2004 and \$300 million by the end of FY 2009. Transfers to the Treasury are planned in the amount of \$10 million in FY 2000 and \$30 million in FY 2001.

## **Environmental Program**

The Environmental Program budget, \$14.2 million in FY 2000 and \$6.6 million in FY 2001, is for Thorium Nitrate and Mercury Environmental Impact Statement (EIS) studies as well as various quality, cleanup, compliance and conservation projects.

## **Operation Obligations**

The significant program changes in the DNSC FY 2001 budget request are in Rents and Real Property Maintenance (RPM). The Rent charges are estimated to decrease by \$4.6 million. This is as a result of the Stockpile's efforts to vacate storage locations. The rate at which stockpile is vacating storage sites will plateau in FY 2000 because we have experienced a slowdown in getting material shipped from the sites. However, we expect to downsize from our current 71 storage locations to 52 storage locations by the end of FY 2001.

The increase of \$6.8 million in RPM is to repair and replace sprinkler systems in the Somerville, Warren, New Haven and Hammond warehouses.

Other Purchased Services increased \$0.1 million due to DNSC's efforts to transition to a different accounting system, the Washington Headquarters Services Automated Accounting System (WAAS). DNSC is currently using the Defense Finance and Accounting Service's Defense Business Management System to process daily operating costs and a non-automated system for collection of data to produce a Trial Balance. By transitioning to the WAAS accounting system, DNSC will operate the DNSC T-Fund with a completely automated system with expected savings of more than \$1.0 million a year in DFAS bills starting in FY 2002. Other benefits include more timely financial information, improved internal controls, superior customer service and greater accuracy and compliance with the Chief Financial Officer's Act.

DEFENSE LOGISTICS AGENCY  
 Defense National Stockpile Center  
 FY 2001 Budget Estimates Submission  
 Program and Financing  
 (\$ in Millions)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Financing			
Federal Orders	33.9	18.0	22.0
Non-Federal Orders	<u>383.4</u>	<u>447.4</u>	<u>457.6</u>
Total	417.3	465.4	479.6
 Obligations: Operating Expenses			
Civilian Personnel Compensation & Benefits	17.2	17.2	17.2
Travel and Transportation of Personnel	0.9	1.1	1.1
Materials and Supplies (For Internal Operations)	2.2	2.1	1.8
Equipment	2.7	1.3	1.3
Transportation of Things	0.7	0.5	0.5
Rent, Communication, Utilities & Misc Charges	20.2	20.3	15.7
Other Purchased Services	<u>27.0</u>	<u>31.7</u>	<u>33.0</u>
Total	70.9	74.2	70.6
 Obligations: Payments to Receipt Account			
Offset for Loss of FMS Receipts (1)	66.0	62.0	62.0
Offset as Stated in FY 1999 Authorization Act (2)	102.0	75.0	99.0
Offset as Stated in FY 2000 Authorization Act (3)	=	<u>10.0</u>	<u>30.0</u>
Total	168.0	147.0	191.0
 Obligations: Transfer to HHS (2)	3.0	22.0	28.0
 Total Obligations	241.9	243.2	289.6

- (1) FY 1996 National Defense Authorization Act, Section 4303;  
 FY 1997 National Defense Authorization Act, Section 3303;  
 as amended by FY 2000 National Defense Authorization Act, Section 3402.
- (2) FY 1999 National Defense Authorization Act, Section 3303.
- (3) FY 2000 National Defense Authorization Act, Section 3402.

DEFENSE LOGISTICS AGENCY  
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 FY 2001 Budget Estimates  
 Statement of Financial Condition  
 (\$ in Millions)

ASSETS:	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Selected Assets:			
Cash	743.9	803.2	856.2
Accounts Receivable	184.2	201.6	225.2
Inventories	2,809.2	2,409.4	2,030.7
TOTAL ASSETS	3,737.3	3,414.2	3,112.1
LIABILITIES			
Selected Liabilities:			
Accounts Payable	22.4	22.4	22.4
Accrued Liabilities	204.1	186.5	198.6
Advances Received	34.1	36.0	30.0
Other Liabilities (undelivered orders)	1.7	5.0	5.0
TOTAL LIABILITIES	262.3	244.9	251.0
GOVERNMENT EQUITY			
Revolving Fund Balance	664.8	746.6	670.1
Invested Capital	2,810.2	2,422.7	2,191.0
TOTAL NET POSITION	3,475.0	3,169.3	2,861.1
TOTAL LIABILITIES AND EQUITY	3,737.3	3,414.2	3,112.1