

Department of Defense Revolving Funds

Justification/Overview



**Fiscal Year (FY) 2003
Budget Estimates**

February 2002

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WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Summary of Operations

Industrial Fund Functions:

The Pentagon Reservation Maintenance Revolving Fund (PRMRF) was established by the FY 1991 Defense Authorization Act (10 USC 2674). The Act transferred responsibility for the maintenance, protection, repair and renovation of the Pentagon Reservation from the General Services Administration (GSA) to the Office of the Secretary of Defense (OSD). The PRMRF finances the activities of Washington Headquarters Services in providing space and a full range of building services for DoD Components, including the Military Departments and other activities housed within the Pentagon Reservation. The relationship is similar to that of landlord and tenant in the private sector. Day-to-day building services funded through the PRMRF include:

Real Property Operations. Includes cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, administrative support, perimeter protection and law enforcement services within the Reservation. This activity also includes operating expenses for purchased utilities as well as the operation of the Pentagon's Heating and Refrigeration Plant and classified waste incinerator.

Repair. Includes repair projects over \$10,000. These projects maintain the facilities within the Reservation at levels adequate to support the assigned missions and to prevent deterioration and damage to Reservation buildings, their support systems and operating equipment. Repair projects are prioritized and accomplished within available revenues. Protection of the government's investment, cost effectiveness, health and safety of workers and the public are among the most important criteria for determining project priorities.

In addition to providing routine building services, the PRMRF also finances the on-going leasehold improvement of the Pentagon, the Pentagon Renovation. The Renovation is expected to continue through FY 2010.

The PRMRF has been designed to operate on a break-even basis over the long term. Revenue to the PRMRF may be generated from various sources. However, the Fund is normally dependent upon funds collected via a basic user charge for space and building services. Basic user charges, "rent," are paid by DoD Components and other tenants using Pentagon Reservation facilities or land. This basic user charge consists of rates set for six categories of space assigned to tenants within the Reservation, including office, storage, special, joint use, commercial support and outside parking. The basic rates are established to recover the cost of daily operation and maintenance of the Reservation, and essential capital improvements, including all costs associated with the Pentagon Renovation. Costs incurred for alterations, security, heating, air conditioning and other building services above those paid through the basic user charge are recovered on a reimbursable job-order basis from the tenants receiving the above standard services.

The PRMRF Budget estimate is comprised of a Capital Budget and an Operating Budget. The Capital Budget includes major and minor lease-hold improvements, equipment and other requirements

having a unit cost of \$100,000 or more and an expected useful life of two years or more. Other requirements, such as employee compensation, recurring service contracts and expendable supplies, materials and equipment, are included within the Operating Budget.

Budget Highlights

Pentagon Renovation: The Pentagon Renovation is comprised of:

- (1) Planning, design and construction;
- (2) Rental and build-out of swing space for personnel displaced by the Renovation and other operating costs incidental to Renovation;
- (3) Information Management and Telecommunications (IM&T). These costs encompass a wide range of telecommunications services for not only the Pentagon Building but also swing space.
- (4) Renovation Acceleration and Command Center (C2) Enhancements. Accelerates the Renovation and strengthens command center security based on lessons learned after the September 11th terrorist attack. Renovated sections of the Pentagon were more survivable than non-renovated sections.
- (5) Administrative. Cost of overall program management and administration.
- (6) Other Renovation/Support Services. Includes storage of equipment, move planning and move services, miscellaneous studies, required utility modifications, and other Renovation related building services.

The following table summarizes obligations for FY 2001 through 2003 for the Pentagon Renovation.

Renovation Cost Component (\$ in Millions)	FY 2001		FY 2002		FY 2003	
	Operating	Capital	Operating	Capital	Operating	Capital
Planning Design & Construction	0.0	190.1	0.0	45.0	0.0	25.0
Swing Space (Rent & Other)	45.1	0.0	42.5	0.0	41.4	0.0
Information Mgmt. & Telecommunications *	0.0	29.0	0.0	26.0	0.0	241.0
Renovation Acceleration *	0.0	0.0	0.0	300.0	0.0	114.0
Administrative	12.5	0.0	16.7	0.0	17.0	0.0
Other Renovation/Support Services	7.8	0.0	44.8	0.0	44.6	0.0
Total Renovation	65.4	219.1	104.0	371.0	103.0	380.0
	284.5		475.0		483.0	

* Fiscal Year 2003 includes a \$328 million anticipated transfer budgeted in the Defense Emergency Response Fund.

Terrorist Attack Recovery Operations:

On September 11, 2001, a Boeing 757 traveling 350 mph struck the Pentagon. The aircraft entered Pentagon at a roughly 45-degree angle, went through wedge 1 and into the un-renovated wedge 2 before exiting the third ring of offices (C ring). The attack damaged 2 million square feet in recently renovated wedge 1 and existing wedge 2. Normally, about 5,000 people would occupy this space, but much of it was vacant as a result of the ongoing renovation project.

Pentagon recovery efforts are financed through emergency funding: (1) transferred directly from the Emergency Response Fund to the Pentagon Reservation and Maintenance Revolving Fund (\$300 million); (2) transferred from the Defense Emergency Response Fund to the Pentagon Reservation and Maintenance Revolving Fund (\$475 million); and (3) provided by an expenditure transfer from the Defense Emergency Response Fund (\$563 million) to the Pentagon Reservation and Maintenance Revolving Fund for execution. Fiscal Year 2003 includes a \$328 million anticipated transfer budgeted in the Defense Emergency Response Fund.

The table below provides the obligation plan by category for the recovery operations.

<u>Category</u>	<u>(Dollars in Millions)</u>		
	<u>FY 2001</u>	<u>FY 2002</u>	<u>Total</u>
Planning, Design and Construction	30	401	431
Acceleration of Pentagon Renovation and Construction of new Military Command Centers	0	300	300
Information Management and Telecommunications	0	195	195
Leased Space Rent and Build-out for Displaced Employees	0	254	254
<u>Increased Real Property Operations and Force Protection</u>	<u>0</u>	<u>158</u>	<u>158</u>
Total	30	1,308	1,338

Recovery actions have proceeded at a brisk pace and are ahead of schedule:

- A not-to-exceed \$520M letter contract awarded September 15 – 4 days after the attack.
- Damage assessment, demolition and debris removal are complete – three months ahead of schedule. Crews worked 24 hours a day, 6 days a week to demolish structurally unsound portions of the building and remove debris. Architectural design is 95% complete.
- Wedge 1 recovery ahead of schedule. Approximately 1,000 people moved back into wedge 1 office areas. Work is scheduled to complete March 2003.
- Wedge 2 work scheduled to complete November 2003. Personnel have also returned to portions of wedge 2.

Combating Terrorism:

During FY 1998, in the wake of the widening threat of terrorist attacks directed against government facilities and the personnel they house, the Department undertook a comprehensive vulnerability assessment of the Pentagon. A major recommendation entailed the construction of a Remote Delivery Facility (RDF) to permit the screening of delivery vehicles and their cargo. Approximately two hundred delivery vehicles breach the Pentagon perimeter every day. The RDF became fully operational in FY 2001. The RDF operates in a manner similar to remote facilities operated by the

White House, U.S. Capitol and the State Department using x-ray equipment and specially trained dogs to detect explosives and other hazardous materials

Another recommendation of the assessment was improvements in visitor access control and traffic flow. To address this recommendation, a Metro Entrance Facility (MEF) is being built to improve the level of safety and security of the Pentagon building, while continuing to provide convenient access to the Metro, and the various means of above ground transportation along the southeast side of the building. Other security enhancements on the Reservation have been a significant expansion of the Pentagon security force and the on-going installation of state-of-the-art security detection and access control systems.

Operating Budget: Operating expenses for FY 2001 through 2003 are \$226.4 million, \$422.3 million, and \$375.0 million, respectively. Estimates assume average annual inflationary increases for utilities, fuels, supplies and service contracts of 1.5 percent for FY 2003. Estimates provide for part-year cost of civilian pay raises of 2.6 percent per year for FY 2003, plus the annualization of prior year increases.

Since its inception in FY 1991, PRMRF in-house employment has declined by over 40 percent from 1,278 to 759 Full Time Equivalents (FTE) for FY 2003. Over this period, the distribution of personnel among employment categories (i.e. laborers, mechanics, administrative, etc.) has shifted significantly. This shift reflects: (1) productivity savings in program administration; (2) a continuing effort to reduce excessive overtime usage particularly by security and crafts personnel; (3) the enhancement of our security surveillance and law enforcement capability in response to a growing threat of domestic terrorism; (4) contracting-out of functions where it is feasible and cost effective; and (5) a more prudent and cost effective application of available staffing resources.

As directed by the June 1999 Executive Order on Greening the Government Through Efficient Energy Management, the Department will actively pursue energy conservation opportunities to improve energy efficiency on the Pentagon Reservation and achieve a mandated reduction in overall consumption by 2005, of 30 percent over the 1985 consumption baseline. In addition a required 30% reduction in greenhouse gas emissions must also be achieved by 2010. These goals will be realized not only through the on-going Renovation, but also through a series of ancillary projects and operational initiatives that cannot be accomplished within the scope of the Renovation Program.

Beginning in FY 2002, preventive maintenance services for building mechanical and electrical systems and major repairs addressing critical health and safety deficiencies on the Pentagon Reservation will be significantly enhanced. There is no single agreed upon guideline to determine the precise level of funding necessary to maintain public buildings, such as the Pentagon effectively. However, the National Research Council (NRC) has recommended that annual funding for routine maintenance and repair (exclusive of alterations and capital improvements) should be within a range of two to four percent of the aggregate replacement value of the facility. Under the stewardship of the General Services Administration (GSA) between 1948 and 1990 and subsequent to its transfer to the Secretary of Defense and the establishment of the PRMRF in November 1990, the Government's annual investment in maintenance and repair on the Reservation has averaged only about one percent of the facility's estimated replacement value of about \$1.5 billion. This has contributed in no small

way to the unprecedented deterioration of critical building systems and infrastructure, which we are only now beginning to address through a major renovation program which is expected to continue through 2010. In this regard, it is particularly crucial that, as newly renovated areas of the Pentagon come on-line, highly sophisticated building equipment and control systems be maintained at an appropriate level to ensure their efficient and reliable operation. When the PRMRF was instituted in 1991, it was expected that the Renovation of the Pentagon would be completed by 2001. Today, completion, even with the acceleration, is not expected until 2010. Consequently, repairs addressing health and safety deficiencies that were postponed in anticipation of renovation can no longer be deferred. It is critical that current health, fire protection, and life safety deficiencies be corrected in those areas of the building that are being occupied during renovation.

To improve the accounting for and make the cost of government programs more visible to the American people, the Administration is proposing to align the full annual budgetary costs of resources used by programs with the budget accounts that fund the programs. To that end, funding for the full accruing cost of the Civil Service Retirement System and retirement health benefits for civilian employees in the Federal Employee Health Benefit Program is provided through customer billing in the Pentagon Reservation Maintenance Revolving Fund. This funding is included in the FY 2003 Budget request. This proposal does not increase the total costs to the Federal government, since these costs were previously funded from a central account.

Capital Budget:

Renovation. \$380.0 million will be obligated by the Department in FY 2003 for the following Renovation initiatives:

- (1) Continuation of the design and construction activities, including design, construction, energy management control system, lock hardware and security systems, and interior signs for a portion Wedge Two (\$21.0 million);
- (2) Construction management and quality assurance, (\$4.0 million);
- (3) Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$27.0 million). In addition, funds the acceleration of planned modernization of Pentagon information technology common user infrastructure and addition of redundant network distribution, voice switching, external network interface connection suite, messaging upgrades and associated design and installation, directed as a result of the September 2001 terrorist attacks to enhance survivability and recoverability of command and communications and critical mission capabilities (\$214.0 million*);
- (4) Ongoing acceleration of Renovation construction in Wedge 2 and continuation of construction of Enhanced Universal Space in basement areas. (\$114.0*).

* Fiscal Year 2003 includes a \$328 million anticipated transfer budgeted in the Defense Emergency Response Fund.

Operating Expenses - Explanation of Changes

A net decrease of \$46.3 million between FY 2002 and FY 2003 in the cost of building operation and repair is expected for:

- An increase of \$2.0 million for normal inflationary cost escalations for supplies, materials and service contracts
- An increase of \$0.1 million for utility rate and fuel cost escalations. Price increases for utilities and fuels have been moderate, paralleling average rates of inflation for other supplies and services. This trend is expected to continue through FY 2003.
- An increase of \$2.0 million for the annualization of the FY 2002 pay increase and the part-year cost of the 2.6 percent civilian pay increase for FY 2003.
- A decrease of \$0.9 million due to reduction in requirements of swing space operations.
- An increase of \$8.4 million for major building repairs and preventive maintenance service enhancements to reduce the growing backlog of critical non-postponable building repairs and to bring the Reservation's preventive maintenance program for newly renovated and other areas to levels commensurate with industry standards.
- A decrease of \$1.3 million for above standard space alterations and other above standard building services.
- An increase of \$1.0 million for energy conservation and other operational cost savings.
- A decrease of \$57.6 million for Pentagon recovery efforts.

**WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
PROGRAM AND FINANCING SUMMARY
(Dollars in Millions)**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Fund Balance (Unobligated Balance Available) Start of Year:	25.5	32.3	89.5
User Charges			
Federal Funds	430.8	870.6	315.8
Non Federal Funds	1.0	1.2	1.3
Total User Charges:	431.8	871.8	317.1
Obligations:			
Real Property Operations:			
Cleaning	18.8	17.6	19.7
Maintenance	17.8	24.9	25.5
Utilities and Fuels	9.7	3.7	3.7
Protection	23.7	18.1	22.5
Other Building Services	3.6	3.6	3.7
Administrative	23.2	13.2	18.8
Repairs (over \$10,000)	7.5	16.5	17.7
Remote Delivery Facility & Metro Entrance Facility	32.5	0.2	0.2
Pentagon Renovation			
Design and Construction	150.7	45.0	25.0
IM&T	20.2	26.0	27.0
Swing Space (Rent & Other)	46.7	42.5	41.4
Swing Space (IM&T)	15.4	15.6	15.9
Administrative	14.0	16.7	17.0
Other Renov. Support Svcs.	2.1	29.2	28.7
Reimbursable Services (Above Std.):			
Renovation	6.8	7.0	7.0
Cleaning	0.0	0.0	0.0
Maintenance	0.5	0.4	0.4
Utilities and Fuels	9.8	9.0	8.3
Protection	3.1	2.8	2.6
Space Adjustments, Post Renovation Furniture	18.1	16.0	17.1
Administrative	0.3	0.3	0.3
Disaster Recovery - Operations	6.0	291.9	31.6
Disaster Recovery - PENREN/Acceleration/IM&T *	32.5	989.5	328.0
Total Obligations:	462.8	1589.6	662.1
Recovery of Prior Year Obligations	37.8	0.0	0.0
Transfer from Other Accounts	0.0	775.0	328.0
Fund Balance (Unobligated Balance Available) End-of-Year	32.3	89.5	72.5

* Fiscal Year 2003 includes a \$328 million anticipated transfer budgeted in the Defense Emergency Response Fund.

**WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
REVENUE AND EXPENSES
(Dollars in Millions)**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Total Revenue	366.1	706.7	518.7
Operating Expenses:			
Real Property Operations:			
Cleaning	18.3	17.0	17.4
Maintenance	14.8	20.7	21.3
Utilities and Fuels	8.6	2.8	2.9
Protection	23.3	15.4	15.9
Other Building Services	4.6	3.1	3.2
Administrative - RE&F	21.3	15.3	15.5
Repairs (over \$10,000)	11.2	14.5	15.8
Pentagon Renovation			
Swing Space (Rent)	28.9	29.4	30.0
Swing Space (Other)	23.4	13.2	21.1
Administrative & Other Renovation Support	25.8	60.3	60.5
Reimbursable Services (Above Std.):			
Renovation	6.7	6.1	6.1
All Other:			
Cleaning	0.0	0.0	0.0
Maintenance	0.5	0.5	0.5
Utilities and Fuels	9.8	10.0	10.1
Protection	3.0	3.1	3.1
Space Adjustments, Post Renovation			
Furniture and Other	13.0	15.2	15.4
Administrative	0.8	0.8	0.9
Depreciation	6.6	7.4	7.5
Capital Surcharge	139.7	284.4	143.7
Disaster Recovery - Operations	0.7	187.3	127.9
Disaster Recovery - PENREN	5.0	0.0	0.0
Total Operating Expenses:	366.1	706.7	518.7
Cost of Services:	366.1	706.7	518.7
Net Operating Results	0.0	0.0	0.0
Accumulated Operating Results:	0.0	0.0	0.0

**WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
CHANGES IN COST OF OPERATION
(Dollars in Millions)**

	<u>OPERATING EXPENSES</u>
FY 2001 Estimate:	226.4
Pricing Adjustments:	
FY 2002 Pay Raise:	
-Civilian Personnel	1.3
-Military Personnel	0.0
Annualization of Prior Year Pay Raises	0.7
Other:	
-Inflation - Supplies & Svc. Contracts	5.3
-Utility Rate and Fuel Cost Escalations	0.2
Program Changes:	
Energy Conservation and Other Savings	-1.2
Building Renovation Project - Swing Space Opns & Other Furniture (Post Renovation)	36.4
O&M Workload - Net Change	-1.2
Annualize:	
Wedge One On-Line (+505,000 sq ft)	0.0
Wedge Two Off-Line (-505,000 sq. ft.)	1.2
Building Repairs - Energy conservation and lifesafety	-1.0
Other Changes:	
-Space Adjustments and Other Reimb. Abv. Std. Workload	0.0
-Combatting Terrorism	-9.0
-Preventive Maintenance and Repairs - Service Enhancements	-3.6
-Pentagon Reconstruction/Recovery	-26.1
FY 2002 Estimate:	186.6
FY 2002 Estimate:	422.3
Pricing Adjustments:	
FY 2003 Pay Raise:	
-Civilian Personnel	1.5
-Military Personnel	
Annualization of Prior Year Pay Raises	0.5
Other:	
-Inflation - Supplies & Svc. Contracts	2.0
-Utility Rate and Fuel Cost Escalations	0.1
Program Changes:	
Energy Conservation and Other Savings	0.0
Building Renovation Project - Swing Space Opns & Other Furniture (Post Renovation)	-0.9
O&M Workload - Net Change	0.0
BMDO Relocation and Consolidation in FB#2	0.0
Building Repairs - Energy conservation and lifesafety	1.0
Other Changes:	
-Space Adjustments and Other Reimb. Abv. Std. Workload	-1.3
-Combatting Terrorism	0.0
-Preventive Maintenance and Repairs - Service Enhancements	8.4
Pentagon Reconstruction/Recovery	-57.6
FY 2003 Estimate:	375.0

WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
SOURCES OF REVENUE
(Dollars in Millions)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
1. Orders from DoD Components:			
Rent:			
USAF	64.6	50.4	45.5
ARMY	120.4	93.2	84.1
NAVY	31.1	24.6	24.4
USMC	19.9	15.7	15.6
DISA	5.1	4.6	4.1
DIA	13.9	10.6	9.5
NIMA	0.2	0.2	0.2
NSA	0.1	0.1	0.1
JCS	34.7	26.4	24.4
WHS (Central Services)	51.8	39.8	36.1
BMDO	6.0	4.1	5.3
AFIS	0.1	0.5	0.3
DLA	0.2	0.2	0.2
DLSA	0.3	0.3	0.2
Collections from Defense Emergency Response Fund	31.1	538.0	0.0
Other Charges:			
- Building Services and Space Adjustments	43.2	57.9	33.7
- Renovation Furniture	8.0	4.0	32.0
2. Total Orders from DoD Components:	430.8	870.6	315.8
3. Other Orders:			
DoD Concessions Committee (Rent)	1.0	1.2	1.3
4. Transfers from Defense Emergency Response Fund	0.0	775.0	328.0
5. Total Gross Orders:	431.8	1,646.8	645.1

**WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
STATEMENT OF FINANCIAL CONDITION
(Dollars in Millions)**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003 *</u>
Assets:			
Selected Assets:			
Fund Balance with Treasury	231.9	1,050.4	762.8
Accounts Receivable	47.2	31.5	13.8
Inventories	2.4	2.6	2.6
Capital Inventory (Net)	1,130.8	1,139.9	1,163.8
Total Assets:	1,412.3	2,224.4	1,943.0
Liabilities:			
Selected Liabilities:			
Accounts Payable	7.8	7.8	7.9
Accrued Liabilities	1.4	1.5	1.5
Total Liabilities:	9.2	9.3	9.4
Government Equity:			
Paid-in-Capital (Assets Capitalized Less Liabilities Assumed)	1,403.1	2,215.1	1,933.6
Unexpended Appropriations	0.0	0.0	0.0
Total Government Equity:	1,403.1	2,215.1	1,933.6
Total Liabilities and Equity:	1,412.3	2,224.4	1,943.0

* Fiscal Year 2003 includes a \$328 million anticipated transfer budgeted in the Defense Emergency Response Fund.

**WASHINGTON HEADQUARTERS SERVICES
PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
Cost of Basic Services**

PROGRAM	FY 2001		FY 2002		FY 2003	
	Workload (Avg. Sq. Ft.)*	Cost per Sq. Ft.**	Workload (Avg. Sq. Ft.)*	Cost per Sq. Ft.**	Workload (Avg. Sq. Ft.)*	Cost per Sq. Ft.**
Cleaning	4,414,657	\$4.15	4,461,658	\$3.81	4,461,658	\$3.89
Maintenance	4,414,657	\$3.34	4,461,658	\$4.63	4,461,658	\$4.76
Utilities & Fuels	4,414,657	\$1.95	4,461,658	\$0.64	4,461,658	\$0.64
Protection	5,038,658	\$4.62	5,038,658	\$3.06	5,038,658	\$3.16
Administrative	5,038,658	\$6.82	5,038,658	\$6.35	5,038,658	\$6.48
Other Building Services	4,414,657	\$1.03	4,461,658	\$0.70	4,461,658	\$0.71
Administrative Cost as Percent of Total Program Cost		6.3%		5.9%		6.2%

* Operated space excludes outside parking areas. Operated space has been adjusted to reflect reduction in O&M service levels within areas under renovation.

** Unit Cost per Square Foot Excludes Reimbursable Above Standard Services

WASHINGTON HEADQUARTERS SERVICES
Business Area Capital Budget Summary
Pentagon Reservation Maintenance Revolving Fund
(Dollars in Thousands)

Line Number	Item Description	FY 2001		FY 2002		FY 2003	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
4	Major Construction (non_Add) -Replacement -Productivity -New Mission		219,100		371,000		380,000
	Major Construction Total *		219,100		371,000		380,000

* Fiscal Year 2003 includes a \$328 million anticipated transfer budgeted in the Defense Emergency Response Fund.

WASHINGTON HEADQUARTERS SERVICES
 Business Area Capital Purchase Justification
 Pentagon Reservation Maintenance Revolving Fund

CAPITAL AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in thousands)		A. BUDGET SUBMISSION				
B. Component/Business Area/Date	WASHINGTON HEADQUARTERS SERVICES PENTAGON RESERVATION MAINTENANCE REVOLVING FUND	D. Activity Identification				
		FY 2003				
ELEMENT OF COST	FY 2001	FY 2002	FY 2003	Total Obligations	Total Obligations	
	Quantity	Unit Cost	Quantity	Unit Cost	Quantity	
	Total Obligations	Total Obligations	Total Obligations	Total Obligations	Total Obligations	
807 - Major Construction		219,100			371,000	380,000
<p>Narrative Justification: \$380 million will be obligated by the Department in FY 2003 for the following Renovation initiatives: (1) Continuation of the design and construction activities, including design, construction, energy management control system, lock hardware and security systems, and interior signs for a portion of Wedge Two (\$21 million); (2) Construction management and quality assurance, (\$4 million); (3) Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$27.0 million); (4) Renovation acceleration/Command Centers (C2), (\$11.4 million*); (5) Command Communications Survivability, (\$21.4 million*).</p>						

* Fiscal Year 2003 includes a \$328 million anticipated transfer budgeted in the Defense Emergency Response Fund.

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND
Summary Statement
(Dollars in Millions)

	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>DISBURSEMENTS BY FISCAL YEAR</u>						
					<u>'01</u>	<u>'02</u>	<u>'03</u>	<u>'04</u>	<u>'05</u>	<u>'06</u>	<u>'07</u>
<u>Pentagon Bldg. Renovation:</u>											
FY 2001	172.6	172.6			13.7	62.7	48.5	19.5	12.1	16.1	0.0
FY 2002	371.0	371.0				55.7	144.7	89.0	55.7	26.0	0.0
FY 2003 *	380.0	380.0					57.0	148.2	91.2	57.0	26.6
<u>Pentagon Reconstruction</u>											
FY 2001	25.0	25.0			0.0	20.4	4.6	0.0	0.0	0.0	0.0
FY 2002	695.0	695.0				173.8	347.5	173.8	0.0	0.0	0.0
FY 2003	0.0	0.0					0.0	0.0	0.0	0.0	0.0
<u>Metro Entrance Facility</u>											
FY 2001	7.5	7.5			4.8	2.7	0.0	0.0	0.0	0.0	0.0
FY 2002	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
FY 2003	0.0	0.0					0.0	0.0	0.0	0.0	0.0
<u>Other Capital Budget</u>											
FY 2001	0.20				0.2	0.0	0.0	0.0	0.0	0.0	0
<u>Operating Budget:</u>											
FY 2001	257.5	226.7	226.4	232.1	163.2	94.3	0.0	0.0	0.0	0.0	0.0
FY 2002	523.6	580.8	422.3	560.3		418.9	104.7	0.0	0.0	0.0	0.0
FY 2003	282.1	154.1	375.0	369.0			225.7	56.4	0.0	0.0	0
<u>Total:</u>											
FY 2001	462.8	431.8	226.4	353.3	181.9	180.0	53.1	19.5	12.1	16.1	0.0
FY 2002	1589.6	1646.8	422.3	914.5		648.3	596.9	262.8	55.7	26.0	0.0
FY 2003 *	662.1	645.1	375.0	1001.5			282.7	204.6	91.2	57.0	26.6
Cash:	BOY	Collections	Disb.	EOY							
FY 2001	263.7	431.8	463.6	231.9							
FY 2002	231.9	1646.8	828.3	1050.4							
FY 2003	1050.4	645.1	932.7	762.8							

* Fiscal Year 2003 includes a \$328 million anticipated transfer budgeted in the Defense Emergency Response Fund.

WASHINGTON HEADQUARTERS SERVICES
CIVILIAN PERSONNEL COSTS
Fiscal Year (FY) 2003 Budget Estimates
FY 2001
(\$ in Thousands)

	Begin Strength	End Strength Total	End Strength FTP	Full-Time Equivalent Workyears Total	Full-Time Equivalent (FTE) Workyears FTP	Basic Compensation	Overtime Pay	Holiday Pay	Other O.C.I.I.	Total Variables	Total Compensation O.C.I.I.	Benefits O.C.I.I.	Compensation & Benefits
1. Direct Hire Civilian:													
a. U. S. Employees:													
(1) Classified and Administrative													
(a) Senior Executive Schedule	0	1	1	1	1	119	0	2	0	2	121	14	135
(b) General Schedule	458	471	471	461	461	20,000	3,629	370	1,895	5,894	25,894	5,830	31,724
(c) Special Schedule	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	458	472	472	462	462	20,119	3629	372	1,895	5,896	26,015	5,844	31,859
(2) Wage System	295	298	298	293	293	(43,548)	1,512	124	922	(0.2931)	(56,310)	(0.2905)	(65,959)
(3) Other						12,052					14,650	2,495	17,145
Subtotal United States	753	770	770	755	755	(41,270)	5,141	496	2,817	(0.2115)	(50,000)	(0.2063)	(58,515)
(4) Direct Hire Foreign Nationals						32,211				8,454	40,665	8,339	49,004
Subtotal	753	770	770	755	755	(42,664)	5,141	496	2,817	(0.2625)	(53,861)	(0.2589)	(64,906)
2. Indirect Hire Foreign Nationals	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Foreign National Separation Liability													
a. Accrual													
b. Direct Hire Foreign Nationals													
c. Indirect Hire Foreign Nationals													
4. Benefits for Former Employees(OC-13):													
a. Foreign National Direct Hire													
b. U.S. Direct Hire													
c. Voluntary Separation Pay													
d. \$80 Surcharge													
e. Percent Early Retirement													
5. TOTAL CIVILIAN PERSONNEL	753	770	770	755	755	32,211	5,141	496	2,817	8,454	40,665	8,339	49,004
(Rate)						(42,664)				(0.2625)	(53,861)	(0.2589)	(64,906)
6. Reimbursable Data													
a. U.S. Direct Hires	753	770	770	755	755	32,211	5,141	496	2,817	8,454	40,665	8,339	49,004
b. Foreign National Direct Hires													
c. Total Direct Hires	753	770	770	755	755	32,211	5,141	496	2,817	8,454	40,665	8,339	49,004
d. Indirect Hire Foreign Nationals						0					0	0	0
e. TOTAL REIMBURSABLE FUNDING	753	770	770	755	755	32,211	5,141	496	2,817	8,454	40,665	8,339	49,004
7. DIRECT FUNDED CIVILIAN PERSONNEL	0	0	0	0	0	0	0	0	0	0	0	0	0
(Rate)													

WASHINGTON HEADQUARTERS SERVICES
 CIVILIAN PERSONNEL COSTS
 Fiscal Year (FY) 2003 Budget Estimates
 FY 2002
 (\$ in Thousands)

	Begin Strength	End Strength Total	End Strength FTE	Full-Time Equivalent Workyears Total	FTE	Basic Compensation	Overtime Pay	Holiday Pay	Other O.C.I.I.	Total Variables	Total Compensation O.C.I.I.	Benefits O.C.I.I.	Compensation & Benefits
1. Direct Hire Civilian:													
a. U. S. Employees:													
(1) Classified and Administrative	1	1	1	1	1	123	0	2	0	2	125	15	140
(a) Senior Executive Schedule	471	464	464	464	464	21,129	3,808	380	2,011	6,199	27,328	6,157	33,485
(b) General Schedule	0	0	0	0	0	0	0	0	0	0	0	0	0
(c) Special Schedule	472	465	465	465	465	21,252	3,808	382	2,011	6,201	27,453	6,172	33,625
Subtotal						(45,703)				(0.2918)	(59,039)	(0.2904)	(72,312)
(2) Wage System	298	294	294	294	294	12,734	1,587	124	978	2,689	15,423	2,628	18,051
(3) Other (Rate)						(43,313)				(0.2112)	(52,459)	(0.2064)	(61,398)
Subtotal United States (Rate)	770	759	759	759	759	33,986	5,395	506	2,989	8,890	42,876	8,800	51,676
(44,777)										(0.2616)	(56,490)	(0.2589)	(68,084)
b. Direct Hire Foreign Nationals (Rate)	770	759	759	759	759	33,986	5,395	506	2,989	8,890	42,876	8,800	51,676
(44,777)										(0.2616)	(56,490)	(0.2589)	(68,084)
c. Total Direct Hire (Rate)	0	0	0	0	0	0	0	0	0	0	0	0	0
Indirect Hire Foreign Nationals (Rate)													
2. Indirect Hire Foreign Nationals (Rate)													
3. Foreign National Separation Liability Accrual													
a. Direct Hire Foreign Nationals													
b. Indirect Hire Foreign Nationals													
4. Benefits for Former Employees(OC-13):													
a. Foreign National Direct Hire													
b. U.S. Direct Hire													
c. Voluntary Separation Pay													
d. \$80 Surcharge													
e. Percent Early Retirement													
5. TOTAL CIVILIAN PERSONNEL (Rate)	770	759	759	759	759	33,986	5,395	506	2,989	8,890	42,876	8,800	51,676
(44,777)										(0.2616)	(56,490)	(0.2589)	(68,084)
6. Reimbursable Data													
a. U.S. Direct Hires	770	759	759	759	759	33,986	5,395	506	2,989	8,890	42,876	8,800	51,676
b. Foreign National Direct Hires													
c. Total Direct Hires	770	759	759	759	759	33,986	5,395	506	2,989	8,890	42,876	8,800	51,676
Indirect Hire Foreign Nationals	770	759	759	759	759	33,986	5,395	506	2,989	8,890	42,876	8,800	51,676
e. TOTAL REIMBURSABLE FUNDING (Rate)	0	0	0	0	0	0	0	0	0	0	0	0	0

WASHINGTON HEADQUARTERS SERVICES
 CIVILIAN PERSONNEL COSTS
 Fiscal Year (FY) 2003 Budget Estimates
 FY 2003
 (\$ in Thousands)

	Begin Strength	End Strength Total	End Strength FTE	Full-Time Equivalent Workyears Total	Full-Time Equivalent (FTE) Workyears FTE	Basic Compensation	Overtime Pay	Holiday Pay	Other O.C.I.I.	Total Variables	Total Compensation O.C.I.I.	Benefits O.C.I.I.	Compensation & Benefits
1. Direct Hire Civilian:													
a. U. S. Employees:													
(1) Classified and Administrative	1	1	1	1	1	128	0	2	0	2	130	16	145
(a) Senior Executive Schedule	464	464	464	464	464	21,787	3927	390	2075	6,392	28,179	6,350	34,530
(b) General Schedule	0	0	0	0	0	0	0	0	0	0	0	0	0
(c) Special Schedule	465	465	465	465	465	21,915	3927	392	2,075	6,394	28,309	6,366	34,675
Subtotal	294	294	294	294	294	(47,129)	1,637	124	1,012	(0.2918)	(60,880)	(0.2905)	(74,570)
(2) Wage System						13,132				2,773	15,905	2,709	18,614
(3) Other (Rate)						(44,667)				(0.2112)	(54,099)	(0.2063)	(63,313)
Subtotal United States (Rate)	759	759	759	759	759	35,047	5,564	516	3,087	9,167	44,214	9,075	53,289
Direct Hire Foreign Nationals (Rate)						(46,175)				(0.2616)	(56,253)	(0.2589)	(70,209)
b. Direct Hire Foreign Nationals (Rate)	759	759	759	759	759	35,047	5,564	516	3,087	9,167	44,214	9,075	53,289
c. Total Direct Hire (Rate)						(46,175)				(0.2616)	(56,253)	(0.2589)	(70,209)
Indirect Hire Foreign Nationals (Rate)	0	0	0	0	0	0				0	0	0	0
2. Indirect Hire Foreign Nationals (Rate)													
3. Foreign National Separation Liability Accrual													
a. Direct Hire Foreign Nationals													
b. Indirect Hire Foreign Nationals													
4. Benefits for Former Employees(OC-13):													
a. Foreign National Direct Hire													
b. U.S. Direct Hire													
c. Voluntary Separation Pay													
d. \$80 Surcharge													
e. Percent Early Retirement													
5. TOTAL CIVILIAN PERSONNEL (Rate)	759	759	759	759	759	35,047	5,564	516	3,087	9,167	44,214	9,075	53,289
						(46,175)				(0.2616)	(56,253)	(0.2589)	(70,209)
6. Reimbursable Data													
a. U.S. Direct Hires	759	759	759	759	759	35,047	5,564	516	3,087	9,167	44,214	9,075	53,289
b. Foreign National Direct Hires													
c. Total Direct Hires	759	759	759	759	759	35,047	5,564	516	3,087	9,167	44,214	9,075	53,289
d. Indirect Hire Foreign Nationals						0					0		0
e. TOTAL REIMBURSABLE FUNDING	759	759	759	759	759	35,047	5,564	516	3,087	9,167	44,214	9,075	53,289
7. DIRECT FUNDED CIVILIAN PERSONNEL (Rate)	0	0	0	0	0	0	0	0	0	0	0	0	0

WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Summary of Operations

Industrial Fund Functions:

The Buildings Maintenance Fund (BMF) is a revolving fund that operates under authority of Section 2208 of Title 10, United States Code. The BMF finances the operation, maintenance, protection and repair of government-owned and leased facilities (exclusive of the Pentagon Reservation) that are controlled by the Washington Headquarters Services (WHS) and are occupied by Department of Defense (DoD) military and/or civilian personnel. Such facilities include, but are not limited to those operated by WHS under delegations of authority from the General Services Administration (GSA). Services provided by the BMF include:

Real Property Operations. Includes cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, administrative support, perimeter protection and law enforcement services.

Repair. Includes repair projects over \$10,000 and cyclic painting. These projects maintain the facilities at levels adequate to support the assigned missions and to prevent deterioration and damage to buildings, their support systems and operating equipment. Repair projects are prioritized and accomplished within available revenues. Protection of the Government's investment, cost effectiveness, health and safety of workers and the public are among the most important criteria for determining project priorities.

The BMF has been designed to operate on a break-even basis over the long term. Revenue to the BMF is generated from various sources. However, the BMF is primarily dependent upon user fees paid by DoD Components for operation, maintenance and repair services provided in twenty-nine federally owned and leased facilities that are managed by WHS under GSA/DoD interagency agreements. In addition, costs incurred for alterations, security, heating, air-conditioning and other building services above those levels supported by GSA are recovered on a reimbursable job-order basis from the DoD tenants receiving above standard services.

Budget Highlights:

Obligations for real property operations and repairs for FY 2002 through FY 2003 are \$33.5 million, and \$34.5 million, respectively. Estimates for FY 2003 assume average annual inflationary increases for utilities, fuels, supplies and service contracts of 1.5 percent. FY 2003 estimates provide for FY 2003 civilian pay raises of 2.6 percent for General Schedule and Wage Grade personnel and the annualization of FY 2002 increases. Maintenance and repair services will be maintained at commercially equivalent levels. Protection services will be provided consistent with presidential guidance establishing minimum-security standards for the Federal Government and determinations by the Secretary regarding appropriate modes of response to the threat of terrorist actions directed against WHS controlled facilities and/or their occupants. WHS as the

delegatee agency responsible for the operation and protection of these GSA facilities is required to recover these costs directly from the Military Services, other DoD Components and Government agencies and others that are assigned space in these buildings.

To improve the accounting for and make the cost of government programs more visible to the American people, the Administration is proposing to align the full annual budgetary costs of resources used by programs with the budget accounts that fund the programs. To that end, funding for the full accruing cost of the Civil Service Retirement System and retirement health benefits for civilian employees in the Federal Employee Health Benefit Program is provided through customer billing in the Buildings Maintenance Fund. This funding is included in the FY 2003 Budget request. This proposal does not increase the total costs to the Federal government, since these costs were previously funded from a central account.

**WASHINGTON HEADQUARTERS SERVICES
BUILDINGS MAINTENANCE FUND
PROGRAM AND FINANCING SUMMARY
(Dollars in Millions)**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Fund Balance (Unobligated Balance Available) Start of Year:	12.8	14.8	10.5
User Charges			
Federal Funds	22.6	29.2	34.4
Non Federal Funds	0.0	0.0	0.0
Total User Charges:	22.6	29.2	34.4
Obligations:			
Real Property Operations:			
Cleaning	0.8	1.0	1.0
Maintenance	0.6	0.8	0.9
Utilities and Fuels	1.6	1.8	2.1
Protection	1.2	6.8	6.9
Other Building Services	-0.1	0.0	0.0
Administrative	4.8	6.6	6.7
Repairs (over \$10,000)	0.2	0.5	0.5
Reimbursable Services (Above Std.):			
Cleaning	0.0	0.0	0.0
Maintenance	0.0	0.0	0.0
Utilities and Fuels	0.4	0.6	0.5
Protection	4.4	1.5	1.5
Space Adjustments and Other	7.8	13.9	14.4
Administrative	0.0	0.0	0.0
Total Obligations:	21.7	33.5	34.5
Recovery of Prior Year Obligations	1.1	0.0	0.0
Fund Balance (Unobligated Balance Available) End of Year	14.8	10.5	10.4

**WASHINGTON HEADQUARTERS SERVICES
BUILDINGS MAINTENANCE FUND
STATEMENT OF FINANCIAL CONDITION
(Dollars in Millions)**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Assets:			
Fund Balance with Treasury	3.7	3.7	3.6
Accounts Receivable	1.1	1.2	1.3
Inventories	0.0	0.0	0.0
Capital Inventory (Net)	0.0	0.0	0.0
Total Assets:	4.8	4.9	4.9
Liabilities:			
Accounts Payable	1.0	1.1	1.2
Accrued Liabilities	1.1	1.2	1.3
Total Liabilities:	2.1	2.3	2.5
Government Equity:			
Paid-in-Capital			
(Assets Capitalized Less	2.7	2.6	2.4
Liabilities Assumed)	0.0	0.0	0.0
Unexpended Appropriations	0.0	0.0	0.0
Total Government Equity:	2.7	2.6	2.4
Total Liabilities and Equity:	4.8	4.9	4.9

**WASHINGTON HEADQUARTERS SERVICES
BUILDINGS MAINTENANCE FUND
REVENUE AND EXPENSES
(Dollars in Millions)**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Revenue*	22.6	29.2	34.4
Operating Expenses:			
Real Property Operations:			
Cleaning	0.8	0.9	1.0
Maintenance	0.5	0.7	0.7
Utilities and Fuels	1.7	1.2	1.5
Protection	1.4	7.4	7.6
Other Building Services	0.7	0.0	0.0
Administrative - RE&F	4.8	5.7	5.7
Repairs (over \$10,000)	0.2	0.5	0.5
Reimbursable Services (Above Std.):			
Cleaning	0.0	0.0	0.0
Maintenance	0.0	0.0	0.0
Utilities and Fuels	1.6	0.5	0.5
Protection	4.4	1.4	1.4
Space Adjustments and Other	6.5	10.9	15.5
Administrative	0.0	0.0	0.0
Depreciation	0.0	0.0	0.0
Total Operating Expenses:	22.6	29.2	34.4
Cost of Services:	22.6	29.2	34.4
Net Operating Results	0.0	0.0	0.0
Accumulated Operating Results:	0.0	0.0	0.0

WASHINGTON HEADQUARTERS SERVICES
 BUILDINGS MAINTENANCE FUND
 OBJECT CLASSIFICATION
 (DOLLARS IN THOUSANDS)

	<u>FY 2001</u> <u>Actual</u>	<u>FY 2002</u> <u>Estimate</u>	<u>FY 2003</u> <u>Estimate</u>
Reimbursable Obligations:			
Personnel Compensation:			
11110	3,690	4,498	4,640
11510	154	186	191
12110	859	1,076	1,162
	4,703	5,760	5,993
Total Personnel Compensation			
21010	76	118	122
23310	948	1,592	1,633
25710	16,141	25,916	26,558
26010	962	142	146
	18,127	27,768	28,459
Total Other Obligations			
	22,830	33,528	34,452
Total Reimbursable Obligations			

WASHINGTON HEADQUARTERS SERVICES
 Building Maintenance Fund
 Fiscal Year (FY) 2003 Budget Estimates

CIVILIAN PERSONNEL COSTS
 FY 2001
 (Dollars in Thousands)

	Begin Strength	End Strength	Total FTP	Full-Time Equivalent Total	Basic Compensation	Overtime Pay	Holiday Pay	Other	Total Variables	Total Compensation	Benefits	Compensation & Benefits
1. Direct Hire Civilians												
a. U.S. Employees												
(1) Classified and Administrative												
(a) General Schedule (Rate)	57	59	59	59	3,605 (61,101)	10	0	141	151	3,756 (63,661)	832 (0.23079)	4,588 (77,762)
(2) Wage System (Rate)	2	2	2	2	85 (42,500)	0	0	3	3	88 (44,112)	27 (0.31765)	115 (57,612)
Subtotal United States (Rate)	59	61	61	61	3,690 (60,491)	10	0	144	154	3,844 (63,020)	859 (0.23279)	4,703 (77,102)
b. Total Direct Hire (Rate)	59	61	61	61	3,690 (60,491)	10	0	144	154	3,844 (63,020)	859 (0.23279)	4,703 (77,102)
2. Benefits for Former Employees (OC-13):												
a. Vol. Sep. Pay												
b. Percent Early Retirement												
3. TOTAL CIVILIAN PERSONNEL (Rate)	59	61	61	61	3,690 (60,491)	10	0	144	154	3,844 (63,020)	859 (0.23279)	4,703 (77,102)
4. Reimbursable Data												
a. U.S. Direct Hire	59	61	61	61	3,690	10	0	144	154	3,844	859	4,703
b. Total Direct Hires	59	61	61	61	3,690	10	0	144	154	3,844	859	4,703
5. DIRECT FUNDED CIVILIAN PERSONNEL (Rate)	0	0	0	0	0	0	0	0	0	0	0	0

WASHINGTON HEADQUARTERS SERVICES
 Building Maintenance Fund
 Fiscal Year (FY) 2003 Budget Estimates

CIVILIAN PERSONNEL COSTS
 FY 2002
 (Dollars in Thousands)

	Begin Strength	End Strength	Full-Time Equivalent Total	Basic Compensation	Overtime Pay	Holiday Pay	Other OC 11	Total Variables	Total Compensation OC 11	Benefits	Compensation & Benefits
1. Direct Hire Civilians											
a. U.S. Employees											
(1) Classified and Administrative											
(a) General Schedule (Rate)	59	69	69	4,408 (63,884)	10	0	171	181	4,589 (66,507)	1,036 (0.23503)	5,625 (81,521)
(2) Wage System (Rate)	2	2	2	90 (45,000)	0	0	5	5	95 (47,500)	40 (0.44444)	135 (67,500)
Subtotal United States (Rate)	61	71	71	4,498 (63,352)	10	0	176	186	4,684 (65,971)	1,076 (0.23922)	5,760 (81,126)
b. Total Direct Hire (Rate)	61	71	71	4,498 (63,352)	10	0	176	186	4,684 (65,971)	1,076 (0.23922)	5,760 (81,126)
2. Benefits for Former Employees (OC-13):											
a. Vol. Sep. Pay											
TOTAL CIVILIAN PERSONNEL (Rate)	61	71	71	4,498 (63,352)	10	0	176	186	4,684 (65,971)	1,076 (0.23922)	5,760 (81,126)
4. Reimbursable Data											
a. U.S. Direct Hire	61	71	71	4,498	10	0	176	186	4,684	1,076	5,760
b. Total Direct Hires	61	71	71	4,498	10	0	176	186	4,684	1,076	5,760
5. DIRECT FUNDED CIVILIAN PERSONNEL (Rate)	0	0	0	0	0	0	0	0	0	0	0

WASHINGTON HEADQUARTERS SERVICES
 Building Maintenance Fund
 Fiscal Year (FY) 2003 Budget Estimates

CIVILIAN PERSONNEL COSTS
 FY 2003
 (Dollars in Thousands)

	Begin Strength	End Strength	Full-Time Equivalent Total	Basic Compensation	Overtime Pay	Holiday Pay	Other	Total Variables	Total Compensation	Benefits	Compensation & Benefits
1. Direct Hire Civilians											
a. U.S. Employees											
(1) Classified and Administrative											
(a) General Schedule (Rate)	69	69	69	4,544 (65,855)	10	0	172	182	4,726 (68,493)	1,116 (0.24560)	5,842 (84,674)
(2) Wage System (Rate)	2	2	2	96 (48,000)	0	0	9	9	105 (52,500)	46 (0.47917)	151 (75,451)
Subtotal United States (Rate)	71	71	71	4,640 (65,348)	10	0	181	191	4,831 (68,037)	1,162 (0.25043)	5,993 (84,413)
b. Total Direct Hire (Rate)	71	71	71	4,640 (65,348)	10	0	181	191	4,831 (68,037)	1,162 (0.25043)	5,993 (84,413)
2. Benefits for Former Employees (OC-13):											
a. Vol. Sep. Pay											
3. TOTAL CIVILIAN PERSONNEL (Rate)	71	71	71	4,640 (65,348)	10	0	181	191	4,831 (68,037)	1,162 (0.25043)	5,993 (84,413)
4. Reimbursable Data											
a. U.S. Direct Hire	71	71	71	4,640	10	0	181	191	4,831	1,162	5,993
b. Total Direct Hires	71	71	71	4,640	10	0	181	191	4,831	1,162	5,993
5. DIRECT FUNDED CIVILIAN PERSONNEL (Rate)	0	0	0	0	0	0	0	0	0	0	0

DEFENSE LOGISTICS AGENCY
Transaction Fund
Defense National Stockpile Center
Fiscal Year (FY) 2003 Budget Estimate
February 2002
Overview

The Defense Logistics Agency (DLA) Defense National 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 sources 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.

This President's Budget recognizes that the international commodities market is extremely volatile today. The beginning of FY 01 showed a continuation of the market's recovery from FY 2000, which directly affected our ability to sell our commodities. DNSC sold the expected quantities of the Annual Materials Plan (AMP) while generating record revenues and ended FY 2001 occupying 41 storage locations. The FY 2002 and FY 2003 goals for remaining locations have been revised from 34 to 36 and from 29 to 32 storage locations, respectively. This is mainly because the second half of FY 2001 showed a significant downward trend in the world commodities market, thereby impacting the ability to eliminate sites as originally scheduled. Selling out of a storage site does not necessarily mean that the site has been vacated since material may not be shipped promptly or environmental cleanup may be required.

DNSC's current sales program reflects the October 1, 2001 market prices with a 20% uncertainty factor to accommodate the volatility in the commodity market today. The plan includes the sales forecasts for commodities that DNSC is authorized to sell. DNSC will use contractual services when available.

The sales plan reflects the six categories of authorized commodities and also includes what is currently in proposed legislation:

Authorized

- ◆ Principle Sales Program

- ◆ Foreign Military Sales Program
- ◆ Treasury and HHS Program
- ◆ Treasury General Fund Program
- ◆ Spectrum/Military Benefits Program
- ◆ WWII Memorial & Treasury General Fund Program

Principle Sales

DNSC 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 (Economic Security) 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. DNSC transferred \$150 million in FY 2001 from receipts generated from Principle Sales to the Military Service Operations and Maintenance Accounts. This budget request does not include any additional transfers in FY 2002 or FY 2003.

Foreign Military Sales

The FY 1997 Defense Authorization Act, P.L. 104-201, authorized additional disposals to offset losses to the U.S. Treasury that would be incurred due to reduced charges in the Foreign Military Sales (FMS) program. A provision of the Federal Acquisition and Reform Act (FARA), P.L. 104-106, permits the President to waive charges for non-recurring Research and Development (R&D) and production costs for FMS sales from DoD stocks. This provision was intended to increase FMS sales, increase production quantities, and ultimately reduce the costs of equipment procured by the Services. The provision required offsetting legislation before costs could be waived. The Stockpile FMS program fulfills this requirement. 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 these materials generated proceeds of \$487.9 million through FY 2000, and are expected to generate a cumulative total of \$720 million through FY 2009. Receipts are to be transferred from the Transaction Fund (T-Fund) and deposited into U.S. Treasury as receipts are realized. DNSC has transferred \$414.0 million through FY 2001 and plans to transfer \$191 million in FY 2002 and \$33 million in FY 2003.

U.S. Treasury and HHS

The FY 1999 Defense Authorization Act, PL 105-261, authorized additional disposal of commodities. The receipts from these sales are to be transferred from the National Defense Stockpile Transaction Fund (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 be credited in the manner determined by the Secretary to the Federal Hospice Insurance Fund and the Federal Supplementary Medical Insurance Trust Fund. Public Law 106-398, Defense Authorization Act for FY 2001, increased the funds to be transferred from \$590 million (previously authorized in P.L. 105-261) to \$720 million for the HHS & Treasury General Fund. Through FY 2001, \$82.5 million has been transferred. 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

U.S. Treasury General Fund

The Treasury General Fund consists of the remaining cobalt sales after the Foreign Military Sales program. Sales are to begin in FY 2003 and terminate in FY 2005.

The receipts from these sales are to be transferred from the National Defense Stockpile Transaction Fund (T-Fund) and deposited into the U.S. Treasury. The following commodities and tonnage were authorized:

Beryllium Metal	250 short tons
Chromium Ferro Alloy	496,204 short tons
Chromium Metal	5,000 short tons
Palladium	497,271 troy ounces

Section 3305 of the FY 1998 Defense Authorization Act, P.L. 105-85 authorizes sales of cobalt from FY 2003 through FY 2007. The sale of cobalt is expected to generate receipts of \$235 million by the end of FY 2007. These receipts are to be transferred from the T-Fund and deposited into the U.S. Treasury. This budget includes an accelerated transfer of \$233 million in FY 2002 and \$20 million in FY 2003 based on projected receipts from cobalt.

Military Benefits Program

The FY 2000 Defense Authorization Act, P.L. 106-65 authorized the disposal of additional commodities. The statutory changes in this Act will result in an estimated increase in spending of \$443 million through FY 2009 predominantly for service member benefits. To offset this increase in spending, DNSC was authorized an additional \$490 million in Stockpile sales over the same time period.

World War II Memorial

P.L. 106-398, Defense Authorization Act for FY 2001 authorized a new program to sell 30,000 short tons of titanium by September 30, 2010 to transfer \$6 million for the benefit of the World War II Memorial. Proceeds of \$4 million were transferred in FY 2001. DLA has programmed an additional \$2 million to be transferred in FY 2002 to the American Battle Monuments Commission for the World War II Memorial. The remainder of what is collected will be deposited into the General Treasury as Miscellaneous Receipts.

Operations Obligations

The significant program changes between FY 2002 and FY 2003 are in labor and Other Purchased Services contracts.

In FY 2003 labor costs are increasing as a result of a reallocation of headquarters management equivalents among the DLA activity groups. This increase is \$1.5 million over the FY 2002 cost.

Other Purchased Services, mainly Other Contracts, increased \$11 million. This increase is due to several changes in program:

- Disposal of Tannin - \$2 million
- Consolidation/rewarehousing of material - \$2 million
- Environmental to include stormwater improvement projects, surveys and audits, permits and fees - \$3 million
- Depot Operations - fire alarms, equipment maintenance, depot contracts - \$3 million

In FY 2003, rent estimates decrease \$1.3 million to \$15.9 million based on scheduled closures.

DNOSC is striving to reduce real property maintenance (RPM) requirements as it pursues the sales mission and storage site closures. The RPM requirements in FY 2003 remain relatively stable at \$8 million.

Projected rent costs are decreasing in FY 2003 by \$3 million as DNOSC vacates storage space.

Budgeting and Managing for Results: Full Funding of Retiree Costs

To improve the accounting for and make the cost of government programs more visible to the American people, the Administration

is proposing to align the full annual budgetary costs of resources used by programs with the budget accounts that fund the programs. To that end, the budget assumes the Defense National Stockpile Center will fund the full accruing costs of the Civil Service Retirement System benefits and retiree health benefits for its civilian employees in the Federal Employee Health Benefit Program (\$1,348,000) from receipts from the sale of stockpile commodities. This proposal does not change the total costs to the Federal government, since these costs were previously funded from government-wide OPM accounts.

DEFENSE LOGISTICS AGENCY
Transaction Fund
National Defense Stockpile Center
Fiscal Year (FY) 2003 Budget Estimates
Stockpile Financial Status Report
(Dollars in Million)

	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Treasury Cash Balance, End of Prior Year	1100.0	1151.5	737.3
Collections	649.9	441.0	301.5
Disbursements	<u>63.9</u>	<u>65.2</u>	<u>76.4</u>
Labor	15.8	18.4	20.2
Non-Labor	48.1	46.8	56.2
<u>Transfers:</u>			
DOD (Military Services)	150.0	0.0	0.0
FMS	124.0	191.0	33.0
Treasury	174.0	314.0	20.5
Treasury (HHS)	50.0	31.0	8.0
Treasury (General Fund)	0.0	19.0	15.2
Treasury (Spectrum)	32.5	233.0	20.3
WWII Memorial	<u>4.0</u>	<u>2.0</u>	<u>0.0</u>
Total Transfers	534.5	790.0	97.0
Environmental Clean-up Liability	0.0	0.0	0.0
Cash Balance	1151.5	737.3	865.4

DEFENSE LOGISTICS AGENCY
Transaction Fund
Defense National Stockpile Center
Fiscal Year (FY) 2003 Budget Estimates
Program and Financing
Dollars in \$000

	FY 2001 act	FY 2002 est.	FY 2003 est.
Financing:			
Federal Orders	15,000	20,000	15,000
Non-Federal Orders	<u>754,600</u>	<u>421,000</u>	<u>286,500</u>
Total Orders	769,600	441,000	301,500
Obligations: Operating Expenses			
Civilian Personnel Compensation & Benefits	15,776	18,400	20,227
Travel and Transportation of Personnel	961	1,206	1,264
Materials and Supplies (For Internal Operations)	1,692	2,651	2,696
Equipment	275	838	679
Transportation of Things	468	504	513
Rent, Communication, Utilities & Misc Charges	16,807	18,411	15,774
Other Purchased Services	<u>32,282</u>	<u>23,204</u>	<u>35,274</u>
Total Expenses	68,261	65,214	76,427
Obligations: Payments to Receipt Account			
Offset for Loss of FMS Receipts (1)	124,000	191,000	33,000
Offset as Stated in FY 1998 Authorization Act (2)	0	0	3,400
Offset as Stated in FY 1999 Authorization Act (3)	174,000	314,000	17,300
Offset as Stated in FY 2000 Authorization Act (4)	32,500	233,000	20,300
Offset as Stated in FY 2001 Authorization Act (5)	4,000	21,000	15,000
Total			
Obligations: Transfer to HHS (3)	50,000	31,000	8,000
Total Obligations	384,500	790,000	97,000
(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 1998 National Defense Authorization Act, Section 3305.			
(3) FY 1999 National Defense Authorization Act, Section 3303.			
(4) FY 2000 National Defense Authorization Act, Section 3402.			
(5) FY 2001 National Defense Authorization Act, Section 3303.			

**Conventional Ammunition
Working Capital Fund (CAWCF)
Fiscal Year (FY) 2003 Budget Estimates**

Effective September 30, 1998, the Conventional Ammunition Working Capital Fund (CAWCF) closed for acceptance of new orders for the procurement of Conventional Ammunition. The remaining CAWCF functions include the completion of FY 1998 and prior year orders for delivery to the ordering customers and closeout of all financial records. The last customer order should be delivered in FY 2003. All remaining accounting transactions should be finalized by September 30, 2005. The Services provided funding in FY 2000 and FY 2001 to defray anticipated cash shortages. As of December 31, 2001, the CAWCF has sufficient cash to meet all currently known and estimated requirements. The projected cash balance as of September 30, 2003 is \$ 16.3 million. At this time, the CAWCF requires no additional funding from FY 2003 through FY 2005. The cash position of the Fund through the end of FY 2005 is shown below:

Cash Balance as of September 30, 2001		\$ 175.5
FY 2002 Disbursements through December 31, 2001	12.8	
Remaining FY 2002 Disbursements	69.8	
FY 2003 Disbursements	66.1	
FY 2004 Disbursements	6.7	
FY 2005 Disbursements	<u>3.8</u>	<u>159.2</u>
Estimated Cash Position at Closure		\$ <u>16.3</u>