

# Department of Defense Revolving Funds

## Justification/Overview



Fiscal Year 2020 President's Budget

March 2019

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Preparation of the Defense Revolving Funds Justification book cost the Department of Defense a total of approximately \$23,000 in Fiscal Year (FY) 2019.

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**Summary of Operations**  
**WASHINGTON HEADQUARTERS SERVICES**  
**Pentagon Reservation Maintenance Revolving Fund**  
**Fiscal Year 2020 Budget Estimate**  
**February 2019**

The FY 1991 National Defense Authorization Act established the Pentagon Reservation Maintenance Revolving Fund (PRMRF) and Title 10, United States Code (USC) Section 2674 codified it. The fund finances the maintenance, sustainment, protection, repair and renovation of the Pentagon Reservation. As established, the “Pentagon Reservation” refers to the 240 acres of land located in Arlington, Virginia, on which stand the Pentagon Building, the Pentagon Heating and Refrigeration Plant and the Sewage Treatment Plant. It also refers to other related facilities including parking areas, the Raven Rock Mountain Complex (RRMC), and the Mark Center (MC) Campus (effective in FY 2018). The PRMRF customers pay a basic user charge for space and standard building services. Customers who request above standard services pay an additional charge for those services.

**Activity Group Composition**

The PRMRF finances the activities of the Washington Headquarters Services (WHS) and the Pentagon Force Protection Agency (PFPA) within the Pentagon Reservation. The PRMRF provides space, building services, deep underground relocation capability, and force protection for Department of Defense (DoD) Components, including Military Departments and other activities located within the Pentagon Reservation.

**Real Property Operations (RPO):** Through the RPO WHS provides for safe and efficient operation, maintenance and repair of the Pentagon Reservation, the RRMC and the MC. The RPO services include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include purchased utilities and operation of the Pentagon’s heating and refrigeration plant and classified waste incinerator. The RPO maintains the facilities at levels adequate to support the assigned mission and to prevent deterioration and damage to Reservation buildings, support systems, and operating equipment. The RPO also provides financial management and acquisition services for the Pentagon Reservation and the Pentagon Force Protection Agency.

The RRMC satisfies the DoD Continuity of Operations Plan (COOP) for the Office of the Secretary of Defense, the Joint Staff and Senior DoD Leadership. COOP support includes cleaning, operation and repair of mechanical and utility systems, roads and grounds maintenance, fire and emergency services, food services, information management support services, and administrative support. The RRMC provides facility maintenance and upkeep of facilities within the complex at levels adequate to support assigned mission and to prevent deterioration and damage to facilities, systems, and operating equipment. The RRMC also supports operational readiness by providing a safe and secure environment for DoD essential functions.

**Pentagon Force Protection Agency (PFPA):** The PFPA is responsible for providing law enforcement; force protection; security; counterintelligence; antiterrorism; and chemical, biological, radiological, and nuclear protection to the people, facilities, infrastructure and other resources at the Pentagon Reservation, to the DoD activities within the National Capital Region (NCR), and to the RRMC. The PFPA is the DoD focal point for coordination with DoD components, executive departments, agencies, and state and local authorities on matters involving force protection, security, and law enforcement for the Pentagon Reservation and DoD facilities within the NCR.

The following table summarizes PRMRF obligations by activity group:

Budget Sub-activity	Dollars in Millions					
	FY 2018		FY 2019		FY 2020	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operations	334.1	3.0	378.3	4.1	339.5	7.4
Pentagon Force Protection Agency	239.0	11.5	263.7	11.7	242.9	8.4
<b>Total by Category</b>	<b>573.1</b>	<b>14.5</b>	<b>642.0</b>	<b>15.8</b>	<b>582.4</b>	<b>15.8</b>
<b>Total PRMRF</b>	<b>587.6</b>		<b>657.8</b>		<b>598.2</b>	

The FY 2020 estimate includes a net reductions of \$68.3 million primarily from workforce reshaping and project requirements reductions. This decrease from FY 2019 to FY 2020 is offset by inflation of \$8.7 million for an overall net decrease of \$59.6 million.

Customer rates are set to recover both operating and capital investment costs budgeted for each year. This FY 2020 submission reflects an increase to the standard rates of 0.3% from the FY 2019 rates.

**Financial Profile:**

	(Dollars in Millions)		
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Revenue	602.7	600.7	599.7
Operating Expenses	515.1	642.0	582.4
Capital Investments	<u>14.5</u>	<u>15.8</u>	<u>15.8</u>
<b>Net Operating Result (NOR)</b>	<b>73.1</b>	<b>(57.1)</b>	<b>1.5</b>
Disbursements	545.5	736.1	620.8
Collections	<u>542.7</u>	<u>601.3</u>	<u>599.8</u>
<b>Net Outlays</b>	<b>2.8</b>	<b>134.8</b>	<b>21.0</b>
Beginning Cash Balance	404.5	401.7	266.9
Ending Cash Balance	<u>401.7</u>	<u>266.9</u>	<u>245.8</u>
<b>Change in Cash Balance</b>	<b>2.8</b>	<b>134.8</b>	<b>21.0</b>

Note: Totals may not add due to rounding

**Operating Budget**

The operating budget includes annual inflationary increases for supplies, equipment, service contracts and personnel. It also provides for a safe and secure environment, including effective, proactive force protection and anti-terrorism programs, for Pentagon personnel, assets and facilities.

**Capital Budget**

The capital budget includes security improvements at the Pentagon, and network upgrades and Facility Sustainment, Restoration, and Modernization (FSRM) projects at the RRMCC. The capital budget also includes security infrastructure modernization and access control upgrades to meet Homeland Security Presidential Directive 12 (HSPD-12) requirements.

## **Recent Initiatives**

The WHS and the PFPA continually pursue opportunities to improve business practices and reduce costs to customers. Some examples of recent initiatives are:

- Continued review by the Services Requirements Review Board (SRRB) to identify cost reductions that are passed on to the tenants
- Reevaluating contract support requirements, and the use of insourcing when cost effective
- Reduced personnel costs by workforce reshaping
- Identification and reduction of services that are no longer cost effective

## **Staffing**

	Full Time Equivalents (FTE)		
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Real Property Operations	596	629	631
Pentagon Force Protection Agency	<u>1,002</u>	<u>1,167</u>	<u>1,055</u>
<b>Total</b>	<b>1,598</b>	<b>1,796</b>	<b>1,686</b>

The RPO's staffing increases by 2 FTEs.

The PFPA staffing decreases by 112 FTEs from workforce reshaping, and repricing.



Changes in the Costs of Operations  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

<b>FY 2018 Estimate in President's Budget (actuals)</b>	<b>587.6</b>
<b>FY 2019 Estimate in President's Budget (as adjusted)</b>	<b>657.8</b>
Pricing Adjustments:	<u>8.7</u>
Annualization of Pay Raises	0.0
Price Growth Pay	0.0
General Purchase Inflation	8.7
Program Changes:	<u>(68.3)</u>
Compensation and Benefits: Decrease of 110 FTEs	1.2
Decrease in management and professional support requirements	(5.6)
Decrease in Equip Purchase Rqmts	(24.6)
Decrease in maintenance/repair efforts	(36.4)
Decrease in utilities requirements	(1.4)
Decrease in other purchases/contracts from overall decrease in requirements	(1.6)
Increased travel costs	0.2
<b>FY 2020 Estimate</b>	<b>598.2</b>

**Note: Totals may not add due to rounding.**

Sources of New Orders and Revenue  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>New Orders</b>			
<b>a. Orders from DoD Components</b>			
Department of the Air Force	87.6	87.8	88.3
Department of the Army	101.7	95.4	96.3
United States Marine Corps	31.1	29.9	29.8
Department of the Navy	62.1	61.9	62.3
<b>Subtotal Military Departments</b>	<b>282.5</b>	<b>275.1</b>	<b>276.7</b>
<b>Defense-Wide</b>			
Defense Intelligence Agency	17.1	17.6	17.7
Defense Information Systems Agency	19.8	29.1	30.4
Defense Logistics Agency	0.3	0.3	0.3
Joint Chiefs of Staff	78.3	77.2	75.2
National Geospatial-Intelligence Agency	1.2	1.2	1.2
National Security Agency	0.3	0.3	0.3
National Guard Bureau	2.7	2.6	2.6
Washington Headquarters Services and Office of the Secretary of Defense	150.4	144.7	147.7
Defense Finance and Accounting Service	0.5	0.6	0.5
Defense Human Resources Activity	8.8	9.1	8.4
Dept of Defense Education Activity	3.8	4.0	3.7

Sources of New Orders and Revenue  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

<b>Defense-Wide (Cont.)</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Dept of Defense Inspector General	11.0	11.4	10.4
Defense Technology Security Administration	1.9	2.0	1.9
Office of Military Commissions	0.4	0.5	0.4
Test Resource Mgmt Center	0.9	0.9	0.8
<b>Subtotal Defense-Wide</b>	<b>297.5</b>	<b>301.4</b>	<b>301.6</b>
 <b>b. Orders from Non-DoD Activities</b>			
DoD Concessions Committee	1.0	1.0	1.0
 <b>c. Total Standard Level Rent Orders</b>	 <b>581.0</b>	 <b>577.5</b>	 <b>579.2</b>
 <b>d. Above Standard Level Service Orders</b>			
Building Services and Space Adjustments	12.2	14.7	11.4
Force Protection	7.7	6.6	7.1
Raven Rock Mountain Complex	1.9	1.9	1.9
 <b>Subtotal Above Standard Services</b>	 <b>21.7</b>	 <b>23.2</b>	 <b>20.5</b>
 <b>Total New Orders:</b>	 <b>602.7</b>	 <b>600.7</b>	 <b>599.7</b>
 <b>Carry-In Orders:</b>		 17.5	 18.5
 <b>Total Gross Orders:</b>	 <b>602.7</b>	 <b>618.2</b>	 <b>618.2</b>

Revenue and Expense  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

	FY 2018	FY 2019	FY 2020
<b>Revenue</b>			
Standard level	581.0	577.6	579.2
Above standard level	21.7	23.1	20.5
<b>Total Revenue</b>	<b>602.7</b>	<b>600.7</b>	<b>599.7</b>
<b>Standard Level Operating Expenses:</b>			
<b>Real Property Operations</b>	<b>331.7</b>	<b>332.1</b>	<b>333.6</b>
Compensation and Benefits	78.4	74.4	76.1
Cleaning	19.3	19.4	26.2
Utilities and Fuel	22.4	28.8	21.8
Maintenance	34.3	54.9	54.4
Other Building Services	63.4	57.1	56.6
Administration	13.4	15.9	15.5
Repairs (over \$10,000)	39.6	20.8	17.9
Information Technology	15.5	15.8	16.1
Library	2.3	2.3	2.3
Acquisition Services	0.4	0.2	0.2
Misc. Support (Human Resources, Financial Management)	1.4	1.4	2.2
Other Services (RRMC)	13.1	2.5	5.2
RRMC Improvements	28.2	38.7	39.2

Revenue and Expense  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

	FY 2018	FY 2019	FY 2020
<b>Pentagon Force Protection Agency</b>	<b>244.0</b>	<b>244.6</b>	<b>244.1</b>
Compensation and Benefits	144.1	139.6	138.9
Mission Integration	14.3	17.8	15.5
Science and Technology	10.0	11.2	11.8
Threat Management	12.4	4.9	5.9
Emergency Management	0.0	0.6	0.0
Security Services	34.5	48.5	51.1
Law Enforcement	12.6	10.3	11.8
Human Capital and Training	4.4	0.0	0.7
Project Integration	11.7	11.7	8.4
<b>Subtotal Standard Level Expenses</b>	<b>575.7</b>	<b>576.8</b>	<b>577.7</b>

Revenue and Expense  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

	FY 2018	FY 2019	FY 2020
<b>Above Standard Reimbursable Expenses:</b>			
<b>Real Property Operations</b>	<b>5.4</b>	<b>50.3</b>	<b>13.3</b>
Projects and Services	1.4	42.4	4.9
Compensation and Benefits	2.1	6.0	6.4
RRMC Projects and Services	1.9	1.9	1.9
 <b>Pentagon Force Protection Agency</b>	 <b>6.4</b>	 <b>30.7</b>	 <b>7.1</b>
Supplies and Equipment Maintenance	3.6	15.4	1.7
Advisory and Assistance Services	0.0	11.4	1.4
Compensation and Benefits	2.8	3.9	4.1
 <b>Subtotal Above Standard Level</b>	 <b>11.9</b>	 <b>81.0</b>	 <b>20.5</b>
 <b>Total Operating Expenses</b>	 <b>587.6</b>	 <b>657.8</b>	 <b>598.2</b>
 Recovery of Prior Year Balances	 57.9		
 <b>Net Operating Result</b>	 <b>73.1</b>	 <b>(57.1)</b>	 <b>1.5</b>
 Accumulated Operating Results Prior Year	 151.8	 224.8	 167.7
Deferred Accumulated Operating Results	0.0	0.0	(169.2)
 <b>Accumulated Operating Results End of Year</b>	 <b>224.8</b>	 <b>167.7</b>	 <b>0.0</b>

**Notes:** Totals may not add due to rounding.  
Total expenses include Capital Investment Program expenses

Cost of Services  
 Washington Headquarters Services  
 Pentagon Reservation Maintenance Revolving Fund  
 Fiscal Year (FY) 2020 Budget Estimates  
 February 2019

Cost Center	FY 2018		FY 2019		FY 2020	
	Square Footage	Cost per SF	Square Footage	Cost per SF	Square Footage	Cost per SF
Pentagon	4,570,296		4,570,342		4,570,340	
Real Property Operations		\$ 49.53		\$ 48.64		\$ 48.56
Pentagon Force Protection		\$ 45.74		\$ 45.39		\$ 45.85
Total Cost/SF		\$ 95.27		\$ 94.03		\$ 94.41
Mark Center	1,281,580		1,281,580		1,281,580	
Real Property Operations		\$ 25.40		\$ 28.60		\$ 28.80
Pentagon Force Protection		\$ 15.68		\$ 14.22		\$ 11.63
Total Cost/SF		\$ 41.08		\$ 42.82		\$ 40.43

Square footage is the total amount of billable space in the building.

Capital Investment Summary  
Washington Headquarters Services  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

Line #	Item Description	FY 2018		FY 2019		FY 2020	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE Equipment	1	11.5	1	11.7	1	8.4
2	ADPE & Telecommunication	1	3.0	1	3.8	1	7.4
3	Software Development						
4	Minor Construction	2		1	0.3		
	<b>TOTAL</b>	<b>4</b>	<b>14.5</b>	<b>3</b>	<b>15.8</b>	<b>2</b>	<b>15.8</b>

Note: Totals may not add due to rounding



Activity Group Capital Purchase Justification  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2020 Budget Estimates					
B. Pentagon Force Protection Agency				C. Equipment/Other					
Element of Cost (\$000)	FY 2018			FY 2019			FY 2020		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE and Telecom Equip.	1	11,486	11,486	1	11,657	11,657	1	8,382	8,382
<b>TOTAL</b>	<b>1</b>	<b>11,486</b>	<b>11,486</b>	<b>1</b>	<b>11,657</b>	<b>11,657</b>	<b>1</b>	<b>8,382</b>	<b>8,382</b>
<b>FY 2018: \$11.5 million in PFPA initiatives for Sentry</b> - Sentry Equipment (\$1.5 million) - Sentry Access Control Procurement (\$6.0 million) - Sentry Perimeter Fence (\$0.4 million) - Sentry Vehicle Entry Control Point - Procurement(\$0.5 million) - Sentry Personnel Entry Control Point - Procurement(\$0.6 million) - Video Surveillance Program (\$2.5 million)									
<b>FY 2019: \$11.7 million in PFPA initiatives for Video surveillance, Access Control, Physical Security, &amp; MILCON SPT Equipment.</b> - Video Surveillance Program (\$3.6 million) - PFPA MILCON Equipment (\$3.7 million) - Electronic Access Control (\$3.8 million) - Physical Security Force Protection (\$0.6 million)									
<b>FY 2020: \$8.4 million in PFPA initiatives for Sentry and Video Surveillance Program</b> - Sentry Pers Ent Ctrl Pt (\$0.3 million) - Sentry Access Control Spt (\$3.6 million) - Video Surveillance Program (\$3.0 million) - Sentry Access Control Proc (\$1.6 million)									

Note: Pentagon Sentry is a multi-year effort to upgrade Pentagon Reservation physical and electronic security systems to comply with applicable laws, regulations and directives.

Activity Group Capital Purchase Justification  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2020 Budget Estimates					
B. Real Property Operations				C. ADPE & Telecommunications					
Element of Cost (\$000)	FY 2018			FY 2019			FY 2020		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADPE and Telecomm (RRMC)	1	2,991	2,991	1	3,843	3,843	1	7,398	7,398
<b>TOTAL</b>	<b>1</b>	<b>2,991</b>	<b>2,991</b>	<b>1</b>	<b>3,843</b>	<b>3,843</b>	<b>1</b>	<b>7,398</b>	<b>7,398</b>
<b>FY 2018: \$3.0 million</b> - JSCR/network/optical lifecycle (\$3.0 million)									
<b>FY 2019: \$3.8 million</b> - Lifecycle ADPE hardware and software									
<b>FY 2020: \$7.4 million</b> - Lifecycle ADPE hardware and software									

Activity Group Capital Purchase Justification  
Washington Headquarters Services  
Pentagon Reservation Maintenance Revolving Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Thousands)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2020 Budget Estimates					
B. Real Property Operations				C. Construction					
Element of Cost (\$000)	FY 2018			FY 2019			FY 2020		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction (RRMC)			0	1	300	300			0
Minor Construction (Pentagon)			0			0			
<b>TOTAL</b>	0	0	0	1	300	300	0	0	0
<b>FY 2019: \$0.3 million Infrastructure Repair</b> - Infrastructure Repair at the RRMC (\$0.3 million)									

Capital Investment Summary  
 Washington Headquarters Services  
 Pentagon Reservation Maintenance Revolving Fund  
 Fiscal Year (FY) 2020 Budget Estimates  
 February 2019  
 (\$ in Millions)

	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2018	Non-ADPE	12.7	11.5	(1.2)	Projects came in below original estimates
	ADPE and Telecom	4.0	3.0	(1.0)	
	Minor Construction				
	<b>Total 2018</b>	16.7	14.5	(2.2)	
2019	Non-ADPE	11.7			
	ADPE and Telecom	3.8			
	Minor Construction	0.3			
	<b>Total 2019</b>	15.8	0.0	0.0	
2020	Non-ADPE	8.4			
	ADPE and Telecom	7.4			
	Minor Construction				
	<b>Total 2020</b>	15.8	0.0	0.0	

Note: Totals may not add due to rounding

**Summary of Operations**  
**WASHINGTON HEADQUARTERS SERVICES**  
**Buildings Maintenance Fund**  
**Fiscal Year 2020 Budget Estimate**  
**February 2019**

In Fiscal Year (FY) 1995, the Secretary established the Buildings Maintenance Fund (BMF) per Title 10, United States Code (U.S.C.) Section 2208. The BMF provides space, building services and force protection for one federally owned facility (U.S. Court of Appeals), as well as 13 delegated leased and 63 non-delegated leased facilities, which Washington Headquarters Services (WHS) operates under delegated authority per the General Services Administration (GSA). Customers pay a basic user charge for space and basic building services. Customers who request above standard services pay an additional amount for those services.

The BMF also includes the GSA/Department of Homeland Security (DHS) Rent Program which enables WHS to collect and pay the GSA rent and DHS security bills for all DoD tenants in leased facilities throughout the National Capital Region (NCR). The program improves billing, earnings and collection processes, enabling the Department to make timely payments to GSA and DHS.

**Activity Group Composition**

The BMF finances the activities of the Washington Headquarters Services (WHS) and Pentagon Force Protection Agency (PFPA) within the NCR. The BMF provides space, building services and force protection for DoD components, including Military Departments and other activities located within the NCR.

**Real Property Operations (RPO):** RPO is responsible for the safe and efficient operation and management of all DoD delegated buildings within the NCR. RPO includes services such as cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, administrative support and metering utilities in leased facilities. The scheduled maintenance and day-to-day customer support provide operational continuity for the customer's mission. The GSA/DHS Rent Program simplifies lease and security payments for BMF customers by combining these GSA and DHS costs into one rent bill. The program has significantly improved oversight and visibility of the transactions and costs associated with the BMF.

**Pentagon Force Protection Agency (PFPA):** The Deputy Secretary of Defense established the PFPA as a Defense Agency under Title 10 USC 191. The PFPA provides force protection, security, anti-terrorism, law enforcement, and chemical, biological, radiological, and nuclear protection as required for the people, facilities, infrastructure and other DoD resources within the NCR.

The following table summarizes BMF obligations by activity group:

	(Dollars in Millions)		
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Real Property Operations	240.2	271.6	260.3
Pentagon Force Protection Agency	<u>27.0</u>	<u>44.8</u>	<u>35.2</u>
<b>Total Obligations</b>	<b>267.2</b>	<b>316.4</b>	<b>295.5</b>

The FY 2020 estimate includes a net reduction of \$27 million primarily from a reduction in Federal Protective Services (FPS) costs and from prior year carry forward projects to be obligated in FY 2019. The decrease from FY 2019 to FY 2020 is offset by inflation of \$6.0 million for an overall net increase of \$21.0 million.

### **Financial Profile**

	(Dollars in Millions)		
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Revenue	265.9	290.5	296.8
Expenses	<u>255.7</u>	<u>316.4</u>	<u>295.5</u>
<b>Net Operating Results</b>	<b>10.2</b>	<b>(25.9)</b>	<b>1.3</b>
Disbursements	227.8	422.3	294.8
Collections	<u>236.9</u>	<u>370.2</u>	<u>295.1</u>
<b>Net Outlays</b>	<b>(9.1)</b>	<b>52.1</b>	<b>(0.3)</b>
Beginning Cash Balance	68.6	77.7	25.7
Ending Cash Balance	<u>77.7</u>	<u>25.7</u>	<u>25.9</u>
<b>Change in Cash Balance</b>	<b>9.1</b>	<b>(52.0)</b>	<b>0.2</b>

Note: Totals may not add due to rounding

## **Operating Budget**

The operating budget includes annual inflationary increases for supplies, equipment, service contracts and personnel. It also provides for a safe and secure environment, including effective, proactive force protection and anti-terrorism programs, for Pentagon personnel, assets and facilities.

The BMF financed two types of facilities: government-owned (U.S. Court of Appeals) and leased facilities (designated and non-designated). The following table depicts revenue by facility type:

<b>Facility Type</b>	(Dollars in Millions)		
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Government Owned	2.0	2.3	2.6
Leased Facilities	254.4	268.9	273.3
Above Standard Work	<u>9.5</u>	<u>19.3</u>	<u>21.9</u>
<b>Total Revenue</b>	<b>265.9</b>	<b>290.5</b>	<b>296.8</b>

Note: Totals may not add due to rounding.

## **Staffing**

	Full Time Equivalents (FTE)		
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Real Property Operations	42	34	42
Pentagon Force Protection Agency	<u>72</u>	<u>90</u>	<u>82</u>
<b>Total</b>	<b>114</b>	<b>124</b>	<b>124</b>

The workforce requirements remain steady in the BMF.

Changes in the Costs of Operations  
Washington Headquarters Services  
Building Maintenance Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

<b>FY 2018 Estimate in President's Budget (actuals)</b>	<b>267.2</b>
<b>FY 2019 Estimate in President's Budget (as adjusted)</b>	<b>316.4</b>
<b>Pricing Adjustments:</b>	<b>6.0</b>
Annualization of pay raises	0.0
Price Growth Payroll	0.0
General Purchase Inflation	6.0
<b>Program Changes (major items):</b>	<b>(27.0)</b>
Increase in labor costs from repricing based on execution	2.6
Decreases due to changed/decreased efforts for Advisory and Assistance Services	(11.3)
Increase in supplies/materials requirements	0.2
Decrease in maintenance/repair efforts	(16.9)
Decrease in utilities requirements (lease reduction)	(0.0)
Decrease due to reduction in FPS costs for leased facilities	(1.5)
<b>FY 2020 Estimate</b>	<b>295.5</b>

**Note: Totals may not add due to rounding.**



Sources of New Orders and Revenue  
Washington Headquarters Services  
Buildings Maintenance Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

<b>1. New Orders</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>a. Orders from DoD Components</b>			
Department of the Air Force	3.3	3.8	3.5
Department of the Army	55.5	51.5	47.4
Department of the Navy	19.4	20.3	18.6
<b>Subtotal Military Departments</b>	<b>78.2</b>	<b>75.5</b>	<b>69.5</b>
<b>Defense-Wide</b>			
US Court of Appeals of the Armed Forces	2.0	2.3	2.6
COWARDIN	0.3	0.4	0.3
Defense Acquisition University	0.0	0.0	0.0
Defense Advanced Research Project Agency	20.1	19.5	19.3
Defense Contract Audit Agency	1.5	1.6	2.0
Defense Contract Management Agency	2.2	2.2	3.9
Defense Human Resources Activity	0.6	0.0	0.0
Defense Intelligence Agency	28.0	28.0	29.6
Defense Information Systems Agency	1.7	9.6	10.6
Defense Logistics Agency	4.3	5.1	5.1
Defense Legal Services Activity	2.5	1.9	1.9
Defense Media Activity	1.6	1.4	1.0
Defense Missing Persons Organization	1.2	1.2	1.3
DoD Classified Program	1.3	1.0	1.1

Sources of New Orders and Revenue  
Washington Headquarters Services  
Buildings Maintenance Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

<b>Defense-Wide (Cont.)</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Dept of Defense Inspector General	0.0	0.0	0.2
Dept of Hearings and Appeals	3.1	3.2	2.7
Defense Security Cooperation Agency	4.2	4.9	4.5
Defense Security Service	2.9	3.0	6.9
Defense Threat Reduction Agency	2.9	9.2	8.5
Joint Staff	0.2	0.2	0.2
Joint Strike Fighter	9.8	10.2	10.1
Missile Defense Agency	3.7	3.6	0.8
National Commission on Public Service	0.0	0.0	0.5
Office of Economic Adjustment	0.8	0.7	0.7
Office of Military Commissions	5.1	5.7	4.3
Pentagon Force Protection Agency	4.3	4.2	4.2
Defense Health Agency	51.0	52.6	53.3
Strategic Capabilities Office	0.0	1.0	0.9
Southern Command	0.0	0.0	0.2
Transportation Command	0.1	0.1	0.1
White House Management Office	2.5	2.7	3.2
Washington Headquarters Services and Office of the Secretary of Defense	19.1	19.0	25.0
Boards, Commissions & Task Forces	1.0	1.1	1.1
<b>Subtotal Defense-Wide</b>	<b>178.1</b>	<b>195.6</b>	<b>206.3</b>

Sources of New Orders and Revenue  
Washington Headquarters Services  
Buildings Maintenance Fund  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

	FY 2018	FY 2019	FY 2020
<b>b. Total Standard Level Rent Orders</b>	<b>256.4</b>	<b>271.2</b>	<b>275.9</b>
<b>c. Above Standard Level Service Orders</b>			
Building Services and Space Adjustments	6.1	13.9	17.0
Force Protection	3.4	5.4	3.9
<b>Subtotal Above Standard Services</b>	<b>9.5</b>	<b>19.3</b>	<b>21.0</b>
<b>Total New Orders</b>	<b>265.9</b>	<b>290.5</b>	<b>296.8</b>
Carry-In Orders	0.0	8.9	9.1
<b>Total Gross Orders</b>	<b>265.9</b>	<b>299.4</b>	<b>305.9</b>

Cost of Services  
Washington Headquarters Services  
Buildings Maintenance Fund  
Fiscal Year (FY) 2020  
February 2019  
(\$ in Millions)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<b>Revenue</b>			
Standard level	256.4	271.2	275.9
Above standard level	9.5	19.3	21.0
<b>Total Revenue</b>	<b>265.9</b>	<b>290.5</b>	<b>296.8</b>
 <b>Standard Level Operating Expenses:</b>			
 <b>Real Property Operations</b>	<b>229.4</b>	<b>240.8</b>	<b>244.6</b>
Cleaning/Trash/General	0.0	0.0	0.0
Utilities and Fuel	0.5	0.2	0.1
Maintenance	14.6	1.3	0.0
Other Building Services	2.7	1.4	1.8
Administration	8.8	6.1	9.0
Repairs (over \$10,000)	0.0	0.2	0.0
Travel and Transportation of Personnel	2.5	0.0	0.0
Information Technology	0.0	0.0	0.0
Defense Post Office	0.0	0.0	0.0
GSA/DHS Rent Program	200.3	231.6	233.8
 <b>Pentagon Force Protection Agency</b>	<b>23.5</b>	<b>30.4</b>	<b>31.2</b>
Compensation and Benefits	7.1	7.7	8.4
Deputy Director	0.1	0.0	0.0
Human Capital and Workforce Development	0.0	0.0	0.0
Law Enforcement	0.7	15.8	17.0
Mission Integration	0.4	0.3	0.2
Security Services	4.2	6.4	5.5
Threat Management	11.1	0.2	0.0
 <b>Subtotal Standard Level Expenses</b>	<b>253.0</b>	<b>271.2</b>	<b>275.9</b>

Cost of Services  
Washington Headquarters Services  
Buildings Maintenance Fund  
Fiscal Year (FY) 2020  
February 2019  
(\$ in Millions)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<b>Above Standard Reimbursable Expenses:</b>			
Real Property Operations	10.8	30.8	15.7
Pentagon Force Protection Agency	3.4	14.5	3.9
<b>Subtotal Above Standard Level Expenses</b>	<b>14.2</b>	<b>45.2</b>	<b>19.6</b>
<b>Total Operating Expenses</b>	<b>267.2</b>	<b>316.4</b>	<b>295.5</b>
Recovery of Prior Year Balances	11.4		
<b>Net Operating Result</b>	<b>10.1</b>	<b>(25.9)</b>	<b>1.3</b>
Accumulating Operating Results Prior Year	14.4	24.5	(1.3)
Deferred Accumulated Operating Results	0.0	0.0	(0.0)
<b>Accumulated Operating Results End of Year</b>	<b>24.5</b>	<b>(1.3)</b>	<b>0.0</b>

**Note:** Totals may not add due to rounding.

Cost of Services  
 Washington Headquarters Services  
 Buildings Maintenance Fund  
 Fiscal Year (FY) 2020 Budget Estimates  
 February 2019

Cost Center	FY 2018		FY 2019		FY 2020	
	Square Footage	Cost per SF	Square Footage	Cost per SF	Square Footage	Cost per SF
US Court of Appeals of the Armed Forces	26,008		26,008		26,008	
Real Property Operations		\$ 73.23		\$ 78.86		\$ 88.69
Pentagon Force Protection		\$ 2.03		\$ 9.39		\$ 12.94
Security Services*		\$ 96.51		\$ 80.90		\$ 101.51
Total Cost/SF		\$ 171.77		\$ 169.14		\$ 203.14

Square footage is the total amount of billable space in the building.

\* Security Services are provided by Pentagon Force Protection Agency on a reimbursable (above standard) basis

**Summary of Operations**  
**DEFENSE LOGISTICS AGENCY, Strategic Materials**  
**National Defense Stockpile Transaction Fund**  
**Fiscal Year 2020 Budget Estimate**  
**February 2019**

The Defense Logistics Agency Strategic Materials (DLA-SM) operates under the authority of the Strategic and Critical Materials Stockpiling Act (50 U.S.C. §98, et seq.). The Stockpiling Act provides for the acquisition and retention of certain strategic and critical materials in the National Defense Stockpile (NDS) to serve the interest of national defense. The Act also encourages the conservation and development of sources of such materials within the United States to mitigate dangerous and costly dependence upon foreign or single sources of supply in times of national emergency. DLA Strategic Materials identifies risks and develops mitigation strategies for the supply chain of defense and essential civilian industrial materials. DLA Strategic Materials' activities include acquisition, storage, disposal and management of the NDS.

DLA Strategic Materials will continue to mitigate risks by using strategies such as research and development, responsible management of NDS material inventory, qualification of substitute materials, recycling and acquisition of strategic and critical materials.

**Funding Request:**

Historically, operations and new acquisitions of strategic and critical materials necessary to mitigate emerging and updated shortfall risks have been funded from past and ongoing sales of NDS materials deemed excess to requirements. In addition, Congress has mandated that NDS sell material to fund activities unrelated to the NDS mission. Sales proceeds are covered into the NDS Transaction Fund, the revolving fund established to transact NDS business. The fund's cash corpus and inventory of salable assets have been declining for decades.

While DLA-SM is currently positioned to fund operations and the acquisition of strategic and critical materials, the Transaction Fund will eventually require an appropriation or alternate financing source for future mission requirements. Current projections show NDS program budgetary resources may not meet annual operating budget requirements by FY 2024.

**Principal Sales Program:**

The Principal Sales Program offers quantities of select strategic and critical materials for sale that have been deemed excess to current NDS requirement levels. DLA-SM develops and executes a non-market disrupting sales plan.

## Collections

(Dollars in Millions)

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Principal Sales Program	65.6	64.2	64.0

## **Budget Highlights**

### Program Costs

(Dollars in Millions)

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Labor	8.5	8.8	9.7
Non-Labor	23.8	29.2	39.2
Acquisitions (Critical Materials)	11.2	23.3	51.0
Environmental	<u>9.2</u>	<u>5.3</u>	<u>7.3</u>
<b>Total Costs</b>	<b>52.7</b>	<b>89.9</b>	<b>107.2</b>

## **Critical Material Risk Mitigation**

In FY 2018, DLA Strategic Materials procured \$11.2M in strategic and critical materials. In FY 2019, \$23.3M and FY 2020, \$51.0M are budgeted for additional strategic and critical material acquisitions. This budget provides funding for costs to recycle critical materials from surplus Federal assets in order to satisfy NDS critical material requirements and to create domestic sources of supply and eliminate the need to stockpile certain materials.

## **Labor**

The DLA Strategic Materials will continue to identify and close emerging skill gaps, enabling the agency to carry out its mission. Budget projections through FY 2020 ensure optimal staffing levels to achieve program objectives

## **Non-Labor**

**Mobilization Studies Program:** The Mobilization Studies program is comprised of a broad range of research and analysis techniques



that enable DLA-SM to gain a clear and comprehensive understanding of the requirements and vulnerabilities of U.S. defense and essential civilian industries. These research, analyses, and development projects support reconstitution and expansion of stockpiling capabilities, through (1) laboratory-based scientific research and analyses, (2) expanded processes to model material supply chains downstream from mines to finished platforms, and development of effective risk mitigation strategies and solutions, and (3) development of additional data and analyses collection and evaluation sources from industry and academia.

**Material Handling Program:** The Material Handling Program supports: (1) continuation of the beryllium upgrade project, (2) long term mercury storage operations, (3) reclamation of surplus materials from the Department of Energy and other Federal Agencies that are suitable for transfer to or required for the NDS, (4) storage of new semi-process NDS materials at vendor locations to expedite finish processing in the event these materials are required in a contingency, and (5) ingot production at Rock Island Arsenal from NDS tin reserves.

**Depot Operations:** Depot Operations are costs associated with operating and maintaining the day-to-day depot mission, which include security, operations, maintenance, janitorial services, fuel, and equipment.

**Rents and Leases:** Real property rental and leasing required to support stockpiling operations include warehouses, administrative buildings, service buildings and open land for outdoor storage; obtained through occupancy agreements with the General Services Administration (GSA), other Federal Agencies or commercial leases.

### **Environmental**

Normal compliance requirements to sustain an environmental management system, sustain all required compliance programs and trainings, perform compliance audits, track and report liabilities and pay fees are approximately \$700-800 K per year and are expected to remain relatively constant through FY 2024. Environmental remediation projects at Somerville, NJ are expected to be active between FY 2019 and FY 2024. At Somerville, NJ, the Remedial Investigation and associated Feasibility Study was completed in FY 2018. A contract for soil and sediment remediation has been awarded, and the feasibility study is being used to inform the environmental remedial design and remediation action work plan that are currently under development for the site. A second contract will be issued for groundwater remediation at the Somerville location in FY 2019. Soil, sediment, and groundwater remediation work will all initiate at the site in FY 2019. The Somerville location will be a multi-million dollar project, expected to run through FY 2024. At Large, PA, there could potentially be issues, activity and remediation between FY 2019 and FY 2024.

Defense Logistics Agency National Defense Stockpile Transaction Fund DLA Strategic Materials Statement of Financial Condition Fiscal Year (FY) 2020 Budget Estimates February 2019 (\$M)							
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS:							
Selected Assets:							
Cash (EOY)*	294.1	250.8	207.6	149.1	104.2	42.6	(22.7)
Accounts Receivable	-	-	-	-	-	-	-
Inventories*	785.8	745.0	732.0	738.3	731.8	741.3	754.1
Other Asset Accounts:	<u>1.5</u>	<u>1.3</u>	<u>1.0</u>	<u>0.8</u>	<u>0.6</u>	<u>0.4</u>	<u>0.1</u>
<b>TOTAL ASSETS</b>	<b>1,081.5</b>	<b>997.0</b>	<b>940.7</b>	<b>888.2</b>	<b>836.6</b>	<b>784.2</b>	<b>731.6</b>
LIABILITIES							
Selected Liabilities							
Accounts Payable	2.2	2.5	2.5	2.5	2.5	2.5	2.5
Advances Received	-	-	-	-	-	-	-
Environmental Clean-up Liability	17.6	6.0	6.0	6.0	6.0	6.0	6.0
Other Liabilities	<u>2.9</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
<b>TOTAL LIABILITIES</b>	<b>22.7</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>
GOVERNMENT EQUITY							
Cumulative Results of Operations	<u>1,058.8</u>	<u>986.5</u>	<u>930.2</u>	<u>877.7</u>	<u>826.1</u>	<u>773.7</u>	<u>721.1</u>
<b>TOTAL NET POSITION</b>	<b>1,058.8</b>	<b>986.5</b>	<b>930.2</b>	<b>877.7</b>	<b>826.1</b>	<b>773.7</b>	<b>721.1</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,081.5</b>	<b>997.0</b>	<b>940.7</b>	<b>888.2</b>	<b>836.6</b>	<b>784.2</b>	<b>731.6</b>
* This projection does not include PBR20 Issue# 1221701 request for \$70 million annual appropriation to the Transaction Fund beginning in FY20.							

<p style="text-align: center;"> <b>Defense Logistics Agency</b>  <b>National Defense Stockpile Transaction Fund</b>  <b>DLA Strategic Materials</b>  <b>Stockpile Financial Status Report</b>  <b>Fiscal Year (FY) 2020 Budget Estimates</b>  <b>February 2019</b>  <b>(Dollars in Millions)</b> </p>							
	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>
Treasury Cash Balance, End of Prior Year*	273.1	294.1	291.6	248.4	189.9	145.0	83.5
Collections	65.6	64.2	64.0	42.7	42.2	26.2	22.8
Disbursements	<u>44.7</u>	<u>66.6</u>	<u>107.2</u>	<u>101.2</u>	<u>87.1</u>	<u>87.8</u>	<u>88.2</u>
Labor	8.5	8.8	9.7	9.9	10.1	10.3	9.6
Non-Labor	24.1	34.5	46.5	42.4	41.3	41.8	42.9
Other Program Costs	12.1	23.3	51.0	48.9	35.7	35.7	35.7
Payments to Treasury							
Payments from Current Year Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carryover Payments from Previous Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Anticipated Transfers Out	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Payments and Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash Balance</b>	<b>294.1</b>	<b>291.6</b>	<b>248.4</b>	<b>189.9</b>	<b>145.0</b>	<b>83.5</b>	<b>18.1</b>
Selected Liabilities							
Accounts Payable	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Advances Received	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Environmental Clean-up Liability	17.6	12.7	6.7	6.0	6.0	6.0	6.0
Other Liabilities	2.9	2.0	2.0	1.0	1.0	1.0	1.0
Undelivered Orders	41.2	35.0	35.0	30.0	30.0	30.0	30.0
Other Contingencies (Sequester)	<u>25.6</u>	<u>24.8</u>	<u>25.2</u>	<u>20.9</u>	<u>15.7</u>	<u>11.3</u>	<u>5.2</u>
Totals	89.5	76.5	70.9	59.9	54.7	62.8	44.2
<b>Estimated Available Cash</b>	<b>204.5</b>	<b>215.2</b>	<b>177.6</b>	<b>130.0</b>	<b>90.4</b>	<b>20.6</b>	<b>-26.1</b>
* This projection does not include PBR20 Issue# 1221701 request for \$70 million annual appropriation to the Transaction Fund beginning in FY20.							

**Summary of Operations**  
**DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY**  
**Fiscal Year 2020 Budget Estimate**  
**February 2019**

**Overview**

The Defense Counterintelligence and Security Agency (DCSA), future personnel vetting program formerly known as National Background Investigation Bureau (NBIB), provides personnel background investigative services on a fee-for-service basis to assist its over 100 Federal agency customers in determining personnel:

- (1) Suitability and fitness for Federal civilian, military, and contract employment;
- (2) Eligibility for logical and physical access to agency systems and facilities; and
- (3) Eligibility for access to classified information.

Effective FY 2020, the background investigation mission will transfer from the Office of Personnel Management (OPM) to the Department of Defense (DoD), Defense Security Service (DSS). At the time of the transfer, the DSS will be renamed as the Defense Counterintelligence Security Agency (DCSA), which will serve as the primary federal entity for conducting background investigations for the federal government.

The FY 2018 National Defense Authorization Act (NDAA) (Public Law 115-91), Section 925 stated the Secretary of Defense has the authority to conduct all types of background investigations for DoD personnel and mandated that, not later than October 1, 2020, the Secretary of Defense shall commence carrying out its background investigations implementation plan developed pursuant to § 951(a)(1) of the FY 2017 NDAA. In June 2018, the Administration released its Reform Plan and Reorganization Recommendations, which identified its intent to transfer the entire NBIB background investigation mission from OPM to DoD. OPM, DoD, and NBIB, among other stakeholders, are working collaboratively to ensure continued efficient and effective delivery of high-quality background investigation products and services to the federal government during the transition from OPM to DoD, and the standup of DCSA.

The background investigation mission is poised to continue to evolve and improve in FY 2020 and beyond. The development of the Trusted Workforce 2.0 Framework led jointly by the Security Executive Agent and Suitability and Credentialing Executive Agent effort will transform how the federal government executes background investigations. Trusted Workforce 2.0 will identify and establish a new set of policy standards that will transform the U.S. government's approach to vetting its workforce, overhaul the enterprise business processes, and modernize information technology. The expected short-term objective is to reduce the current background investigation

inventory, and in the long-term to fundamentally transform the approach for personnel vetting, including evaluation, development, and promulgation of revised investigative standards.

### **Strategy**

The legacy NBIB has made great strides to decrease its investigation case inventory and improve the timely delivery of quality background investigations products and services to its agency customers. One of its main goals is to achieve a healthy, and sustainable steady-state inventory level. Continued investments in innovative new policies and procedures, artificial intelligence automation, and data and analytics will further enable DCSA's future personnel vetting program to reduce man-hours required to complete cases, permitting DCSA to strategically and efficiently use field investigators while providing improved scrutiny to each investigation. In addition to its emphasis on innovation and process improvement, DCSA will focus on maintaining current federal and contractor investigator capacity and further developing quality review capacity. Maintaining a healthy investigator capacity and improved timely delivery of high-quality cases to federal agency customers remains pivotal to decreasing the current case inventory. Other federal-wide initiatives slated to help reduce the overall requirement for investigative requests coming to DCSA, especially re-investigations, are policy changes, and Continuous Evaluation/Continuous Vetting (CE/CV), which promise better results in less time than traditional labor-intensive methods.

DCSA will implement these new processes (e.g., CE/CV) pursuant to guidance prescribed by new Federal Investigative Standards, and Executive Order 13467, as amended. CE/CV is a vetting process to review the background of an individual who has been determined to be eligible for access to classified information or to hold a sensitive position at any time during the period of eligibility and affiliation with the Department determines whether that individual continues to meet applicable requirements.

Innovation and the use of cutting-edge commercial technology are major drivers in creating efficiencies in the background investigation mission. As required by Executive Order 13741, the DoD is responsible for designing, developing, and securing new background investigation Information Technology (IT) system, the National Background Investigation System (NBIS). In FY 2019, NBIB will continue to work collaboratively with DoD to develop, test, and deploy NBIS while sustaining legacy IT systems within OPM for the current NBIB operations. This will help to provide a smooth and seamless IT transition to NBIS. During the development and deployment of NBIS, legacy IT systems vital to DCSA's operations will continue to be secured, maintained, and updated by OPM. In FY 2020, NBIS is planned to become operational in phases. Phase 1 includes Tier 1 investigations for a select number of federal customers. The remainder of investigations will continue to be processed using OPM's legacy system until NBIS is ready to assume additional workload.

DCSA's future personnel vetting program will continue to implement enhanced analytical tools that support background investigations to better anticipate, detect, and counter malicious activities, as well as threats posed by trusted insiders who may seek to do harm to government personnel, property, and information systems. In addition, DCSA will continue to identify ways to transform the investigative process by improving access to record information, ingesting and utilizing information more efficiently, and developing a continuous process improvement roadmap. In managing the workload, DCSA will leverage current technologies to automate the personnel background investigation process, increase productivity in the field by realigning administrative tasks, and continue making changes as directed by national policy to reduce case inventory. These efforts are anticipated to increase data sharing, standardization, enhance and enable streamlined and automated end-to-end processes to manage cost, increase capability, and improve quality, timeliness, and data integrity.

DCSA will continue to enhance its Law Enforcement Liaison Office to increase centralization and outreach efforts, as well as educate the law enforcement community on the needs of the national background investigation program. Also, DCSA is centralizing capabilities for statewide law checks and other checks required by the Federal Investigative Standards that are capable of being done remotely from a central location. Centralization of law checks will reduce the average cost per check. DCSA will continue to identify law enforcement agencies that are unable to meet background investigation record requests as required under 5 U.S.C. § 9101. In concert with those agencies, DCSA will continue to build out its strategy to include identifying resources such as staffing, funding, and automation to permit those agencies to become compliant.

### **Budget Assumptions**

This FY 2020 budget submission assumes that effective 1 October 2019, the background investigation mission will transfer from OPM to the DCSA. Because of this, NBIB is not included in the OPM FY 2020 Congressional Budget Justification (CBJ). During the transition phase, DCSA may utilize OPM's existing processes and systems on a reimbursable basis and likewise OPM may utilize some of DCSA's resources, also on a reimbursable basis, in order to complete the existing backlog inventory. As part of the transfer and transition from OPM to DoD, DCSA plans to increase its direct embedded staffing levels by up to 250 employees to replace support functions previously provided as part of the OPM's common services.

Another assumption is that as the capability and capacity of CE/CV expand, the workload for background investigations is projected to decrease accordingly, which is reflected in the decreased budget estimate from FY 2019 to FY 2020. Leveraging CE/CV is expected to reduce the number of reinvestigations in DCSA's inventory, allowing investigators' valuable time to be

redirected to more complex investigations, or for initial entry applicants into government workforce. While the FY 2020 budget submission assumes decreases in the overall budgetary requirements and workload due to CE/CV, DCSA will closely monitor the actual impacts. Conversely, agencies using CE/CV for non-issue cases in lieu of traditional reinvestigations may result in a higher percentage of more complex investigations in DCSA's inventory, requiring contract modifications with vendors.

DCSA offers its federal customers a variety of investigative products and services to meet their investigative needs, as published in the FY 2020 Federal Investigations Notice (FIN) number 18-04 in August 2018 published by OPM/NBIB. The prices published in the FY 2020 Pricing and Product/Services Catalog will not increase from the FY 2019 prices. The significant cost drivers that impact pricing considerations include federal and contracted investigative fieldwork, third-party record search fees, the accuracy of workload projections, policy changes (for example, new Federal investigative standards), and infrastructure upgrades.

The FY 2020 rates are detailed in the table below which remained constant from FY 2019 to FY 2020.

Case Type	Case Service	
	Standard	Priority
National Agency Check (NAC)	\$159	<i>Not Available</i>
Tier 1 (T1)	\$198	<i>Not Available</i>
Tier 2 (T2)	\$559	<i>Not Available</i>
Tier 2 Reinvestigation (T2R)	\$265	<i>Not Available</i>
Tier 3 (T3)	\$440	<i>Not Available</i>
Tier 3 Reinvestigation (T3R)	\$424	<i>Not Available</i>
Tier 4 (T4)	\$4,233	\$4,571
Tier 4 Reinvestigation (T4R)	\$2,723	\$2,940
Tier 5 (T5)	\$5,706	\$6,163
Tier 5 Reinvestigation (T5R)	\$3,134	\$3,385

### Budget Summary

DCSA's personnel vetting program is a fee-for-service organization that provides personnel background investigations that are financed using a business-like working capital fund (revolving fund) model. The goal of the fund is to break even each year. Funding received from customer orders should equal the operating costs incurred to deliver those orders. The table below represents DCSA's future personnel vetting program key budget data summary:

Key Budget Data			
(\$M)	FY 2018	FY 2019*	FY 2020
Revenue	\$ -	\$ 1,361.7	\$ 1,251.6
Cost	\$ -	\$ 1,361.7	\$ 1,251.6
Net Operating Result (NOR)	\$ -	\$ -	\$ -
Prior Year Accumulated Operating Results (AOR)	\$ -	\$ -	\$ -
Ending AOR	\$ -	\$ -	\$ -
Capital Budget	\$ -	\$ -	\$ -
Civilian Work Years (FTEs)		3,216	3,513
*Please note: FY 2019 planned estimates in this budget exhibit are included for reference only. The funding and FTE associated with FY 2019 is and will be part of OPMs revolving fund budget, and is included in OPMs FY 2019 Congressional Budget Justification (CBJ)			



DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY  
Working Capital Fund  
Background Investigation Services  
Summary of Price, Program, and Other Changes (Operating Budget) - Costs  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

	<u>Cost</u>
FY 19 Current Estimate*	1361.7
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.0
FY 20 Pay Raise	0.0
General Purpose Inflation	19.5
Program Changes:	
Civilian Personnel	37.5
Travel of Persons	(1.7)
Material & Supplies	0.7
Commercial Equipment Purchases	(0.6)
Other Purchased Services from Revolving Fund	0.0
Transportation of things	0.0
Printing and Reproduction	(0.1)
Advisory and Assistance Services	0.9
Rent, Communications, Utilities, and Misc	1.2
Other Purchased Services	(147.9)
Capital Investment Recovery	0.0
FY 20 Current Estimate	1251.6

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DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY

Working Capital Fund

Background Investigation Services

Source of New Orders and Revenue

Fiscal Year (FY) 2020 Budget Estimates

February 2019

(\$ in Millions)

	<u>FY 2018</u>	<u>FY 2019*</u>	<u>FY 2020</u>
1. New Orders			
a. Orders from DoD Components	0.0	968.4	890.1
Department of the Navy	0.0	222.5	204.5
Operations and Maintenance, Navy	0.0	0.0	0.0
Operations and Maintenance, Marine Corps	0.0	0.0	0.0
O&M, Navy Reserve	0.0	0.0	0.0
O&M, Marine Corps Reserve	0.0	0.0	0.0
Aircraft Procurement, Navy	0.0	0.0	0.0
Shipbuilding & Conversion, Navy	0.0	0.0	0.0
Research, Development, Test & Eval, Navy	0.0	0.0	0.0
Military Construction, Navy	0.0	0.0	0.0
Navy Other	0.0	0.0	0.0
Department of the Army	0.0	262.3	241.1
Army Operation and Maintenance	0.0	0.0	0.0
O&M, Army Reserve	0.0	0.0	0.0
Army National Guard	0.0	0.0	0.0
Army Res, Dev, Test & Eval Accounts	0.0	0.0	0.0

DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY

Working Capital Fund

Background Investigation Services

Source of New Orders and Revenue

Fiscal Year (FY) 2020 Budget Estimates

February 2019

Army Procurement Accounts	0.0	0.0	0.0
Military Construction, Army	0.0	0.0	0.0
Army Other	0.0	0.0	0.0
Department of the Air Force	0.0	183.3	168.5
Air Force Operation & Maintenance	0.0	0.0	0.0
O&M, Air Force Reserve	0.0	0.0	0.0
Air Force National Guard	0.0	0.0	0.0
Air Force Res, Dev, Test & Eval Accounts	0.0	0.0	0.0
Air Force Procurement Accounts	0.0	0.0	0.0
Military Construction, Air Force	0.0	0.0	0.0
Air Force Other	0.0	0.0	0.0
DoD Appropriated Accounts	0.0	300.4	276.1
Operation & Maintenance Accounts	0.0	0.0	0.0
Res, Dev, Test & Eval Accounts	0.0	0.0	0.0
Procurement Accounts	0.0	0.0	0.0
Military Construction, Defense	0.0	0.0	0.0
Defense Health Program	0.0	0.0	0.0
DoD Other	0.0	300.4	276.1
b. Orders from other Fund Activity Groups	0.0	0.0	0.0
Navy	0.0	0.0	0.0

**DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY**

**Working Capital Fund**

**Background Investigation Services**

**Source of New Orders and Revenue**

**Fiscal Year (FY) 2020 Budget Estimates**

**February 2019**

Army	0.0	0.0	0.0
Air Force	0.0	0.0	0.0
Other DoD	0.0	0.0	0.0
 c. Total DoD	 0.0	 968.4	 890.1
 d. Other Orders	 0.0	 393.3	 361.5
Other Federal Agencies	0.0	393.0	361.2
Non-Federal Agencies and Other	0.0	0.3	0.3
 Total New Orders	 0.0	 1,361.7	 1,251.6
 2. Carry-In Orders	 0.0	 0.0	 0.0
 3. Total Gross Orders	 0.0	 1,361.7	 1,251.6
 4. Funded Carry-Over	 0.0	 0.0	 0.0
 5. Total Gross Sales	 0.0	 1,361.7	 1,251.6

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DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY  
Working Capital Fund  
Background Investigation Services  
Revenue and Expenses  
Fiscal Year (FY) 2020 Budget Estimates  
February 2019  
(\$ in Millions)

	<u>FY 2018</u>	<u>FY 2019*</u>	<u>FY 2020</u>
<b>Revenue</b>			
Gross Sales	0.0	1,361.7	1,251.6
Operations	0.0	1,361.7	1,251.6
Capital Surcharge	0.0	0.0	0.0
Capital Investment Recovery	0.0	0.0	0.0
Other Income	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0
<b>Total Income</b>	<b>0.0</b>	<b>1,361.7</b>	<b>1,251.6</b>
<b>Costs</b>			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages			
Civilian Personnel Compensation & Benefits	0.0	385.2	422.7
Travel & Transportation of Personnel	0.0	22.5	20.8
Materials & Supplies (For Internal Operations)	0.0	2.7	3.4
Equipment	0.0	5.5	4.9
Other Purchases from Revolving Funds	0.0	0.0	0.0
Transportation of Things	0.0	0.0	0.0
Capital Investment Recovery	0.0	0.0	0.0
Printing and Reproduction	0.0	0.7	0.6
Advisory and Assistance Services	0.0	65.7	66.5
Rent, Communications, Utilities, & Misc. Charges	0.0	18.5	19.6
Other Purchased Services	0.0	860.9	713.0
<b>Total Expenses</b>	<b>0.0</b>	<b>1,361.7</b>	<b>1,251.6</b>
<b>Operating Result</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Adjustments affecting NOR (specify)	0.0	0.0	0.0
<b>Net Operating Result</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Prior Year AOR	0.0	0.0	0.0
<b>Accumulated Operating Result</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
<b>Accumulated Operating Results for Budget Purposes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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