

Department of Defense Revolving Funds

Justification/Overview



Fiscal Year 2021 President's Budget

February 2020

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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) 2020.

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**Washington Headquarters Services
Pentagon Reservation Maintenance
Revolving Fund
Fiscal Year (FY) 2021
Budget Estimates**



February 2020

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2021 Budget Estimate
February 2020

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. 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.

The Washington Headquarters Service (WHS) and Pentagon Force Protection Agency (PFPA) are using the DOD Chief Management Officer’s (CMO) FY 2018-FY 2022 National Defense Business Operations Plan as a guide to validate and optimize current and future service acquisition requirements. The CMO National Defense Business Operations Plan calls for DOD to improve and strengthen business operations through four lines of effort: moving to a DoD-enterprise or shared service provider to reduce agencies’ administrative and regulatory burden; optimizing organizational structure; maintaining audit sustainment; and improving the quality of budgetary and financial information available.

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. 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 lead agency 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 2019		FY 2020		FY 2021	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operations	436.9	(.5)	394.3	7.4	390.5	4.5
Pentagon Force Protection Agency	230.0	6.8	253.5	8.4	245.3	6.5
Total by Category	666.9	6.3	647.8	15.8	635.8	11.0
Total PRMRF	673.2		663.6		646.8	

Overall, the FY 2021 President’s budget request reflects a net decrease of \$18.6 million, which consists of a price adjustment of \$11.4 million and a program decrease of \$30.0 million.

Customer rates are set to recover both operating and capital investment costs budgeted for each year. The FY 2021 request reflects an increase to the standard rates of 6.2% from FY 2020 rates.

Narrative Explanation of changes from FY 2020 to FY 2021:

During the FY 2021 Program Budget Review, the Department underwent a series of in-depth initiatives to ensure optimum

alignment to the National Defense Strategy and DoD strategic guidance, with particular focus on building a more lethal, resilient, agile, and ready force while strengthening alliances, prioritizing cyber and space capabilities, and focusing on innovation to maintain the technological advantage.

The highlight of these initiatives was the Defense-Wide Reviews (DWR), which focused on the Secretary's guidance to streamline operations, increase efficiency, and promote greater affordability within the OSD and Defense Agencies and Field Activities. Across the Department, the DWR generated more than \$5 billion in FY 2021 savings for reinvestment in readiness and lethality. Additionally, the DWR identified more than \$2 billion in activities or functions that would be more effectively and efficiently run by the Military Departments.

Within the WHS Working Capital Fund, BMF, the DWR initiative identified \$11.6 million in savings that was made available for increased lethality across the Department. Additionally, the WHS took key steps in identifying areas where organizational realignment and streamlining could be optimized.

(\$ in millions)

Defense-Wide Reviews: **\$**

Defense-Wide Review: Reduce Janitorial and Landscaping Services: reduce funds associated with janitorial and landscaping services by 10%, the reduction should be distributed to the Pentagon tenants based on their occupancy. - 2.0

Defense-Wide Review: Eliminate the Pentagon Library: reduce funds associated with the elimination of the Pentagon Library facility while retaining online service - 3.0

Defense-Wide Review: Reduce Utility Usage at NCR Facilities: reduce funds associated with the reduction of utility usage at WHS-managed NCR facilities. - 1.6

Defense-Wide Review: Reduce Support for PFPA Activities: reduces funds as a result of reduced cost services for PFPA activities -5.3

(\$ in millions)

Other Changes:

Pentagon RRMC – Information Technology: funds improvement and upgrades to Pentagon COOP site at RRMC. + 7.5

FY 2021 Performance Award Increase: in accordance with OMB Circular No. A-11, Section 32.1 on Personnel, Compensation, Benefits and Related Costs, this increase for civilian pay awards spending reflects an increase of 1 percentage point of the non-SES/SL/ST salary spending from FY 2020 to FY 2021. + .5

Facility-Related Control Systems project: the increase funds a FRCS project to upgrade and replace the Pentagon Building Automated Control System for heating, ventilation, and air conditioning (HVAC). + 21.0

Financial Profile:

	(Dollars in Millions)		
	FY 2019	FY 2020	FY 2021
Revenue	537.6	653.7	643.8
Operating Expenses	666.9	647.8	635.8
Capital Investments	<u>6.3</u>	<u>15.8</u>	<u>11.0</u>
Net Operating Result (NOR)	(135.6)	(9.9)	(3.0)
Disbursements	579.4	666.9	656.0
Collections	<u>549.9</u>	<u>599.8</u>	<u>629.7</u>
Net Outlays	29.5	67.1	26.3
Beginning Cash Balance	401.7	372.2	305.1
Ending Cash Balance	<u>372.2</u>	<u>305.1</u>	<u>278.8</u>
Change in Cash Balance	(29.5)	(67.1)	(26.3)

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, network upgrades and Facility Sustainment, Restoration, and Modernization (FSRM) projects at the RPMC. 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 when possible
- Identification and reduction of services that are no longer cost effective

Staffing

	Full Time Equivalents (FTE)		
	FY 2019	FY 2020	FY 2021
Real Property Operations - RPO	629	631	712
Pentagon Force Protection Agency - PFPA	<u>1,167</u>	<u>1,055</u>	<u>1,042</u>
Total	1,796	1,686	1,754

Narrative Explanation of Staffing Changes:

The RPO and PFPA staffing increase of 68 FTEs in FY 2021 are due to a PFPA reduction of 13 FTE and net increase of 81 FTE within the RPO. The changes are detailed as follows:

- 1) PFPA (13 FTE Decrease):
The decrease of 13 FTE are driven by a transfer from PFPA to JSP to establish JSP as PFPA’s IT provider.
- 2) RPO (8 FTE Decrease):
As part of the Department's initiative to streamline operations, increase efficiency, and promote greater affordability within the Defense Agencies and Field Activities, the decrease of 8 FTEs and associated funding reflects the elimination of the Pentagon Library.
- 3) RPO (89 FTE Increase):

The increase of 30 FTE based on the population of PRMRF personnel serviced by HRD. The FTE and funds were sourced from the HRD O&M account.

The increase of 24 FTE is for the Pentagon Fitness Center which will be added to the PRMRF as joint use for all tenants of the Pentagon Reservation.

The increase of 22 FTE is for RRMC Fire and Emergency Services positions, Operations and Plans positions, and a logistics position to ensure the RRMC site is fully mission capable in all operating environments in parallel with and independent of the Pentagon.

The increase of 13 FTE is driven by an effort to obtain an optimal fill-rate 90% within the PRMRF.

Changes in the Costs of Operations
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

FY 2019 Estimate in President's Budget	673.2
FY 2020 Estimate in President's Budget	663.6
Pricing Adjustments:	<u>13.2</u>
Annualization of Pay Raises	1.8
Price Growth Pay	2.7
General Purchase Inflation	8.8
Program Changes:	<u>(30.0)</u>
Compensation and Benefits: Aligns cost to expected FY19 actuals; some FTE increases due to mission realignments	7.3
Decrease in management and professional support requirements	(0.5)
Decrease in Equipment Purchase Rqmts	(10.3)
Increase in maintenance/repair efforts for CyberSecurity compliance and Pentagon Athletic Center transfer from Army	(27.9)
Decrease in utilities requirements	(1.6)
Increase in other purchases/contracts requirements	7.5
Correction for PFPA lease costs (lease costs moved from other OCCs, corrects database mapping error)	(4.1)
Decreased travel costs	(0.4)
FY 2021 Estimate	646.8

Sources of New Orders and Revenue
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

	FY 2019	FY 2020	FY 2021
New Orders			
a. Orders from DoD Components			
Department of the Air Force	87.8	88.304	94.281
Department of the Army	95.4	96.267	102.842
United States Marine Corps	29.9	29.831	31.888
Department of the Navy	61.9	62.271	66.399
Subtotal Military Departments	275.1	276.7	295.4
Defense-Wide			
Defense Intelligence Agency	17.6	17.7	18.8
Defense Information Systems Agency	29.1	30.4	32.0
Defense Logistics Agency	0.3	0.3	0.4
Joint Chiefs of Staff	77.2	75.2	79.5
National Geospatial-Intelligence Agency	1.2	1.2	1.3
National Security Agency	0.3	0.3	0.4
National Guard Bureau	2.6	2.6	2.8
Washington Headquarters Services and Office of the Secretary of Defense	90.7	201.7	156.9
Defense Finance and Accounting Service	0.6	0.5	0.5
Defense Human Resources Activity	9.1	8.4	8.7
Department of Defense Education Activity	4.0	3.7	3.8

Sources of New Orders and Revenue
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

Defense-Wide (Cont.)	FY 2019	FY 2020	FY 2021
Dept of Defense Inspector General	11.4	10.4	10.6
Defense Technology Security Administration	2.0	1.9	1.9
Office of Military Commissions	0.5	0.4	0.4
Test Resource Mgmt Center	0.9	0.8	0.9
Subtotal Defense-Wide	247.5	355.601	318.9
b. Orders from Non-DoD Activities			
DoD Concessions Committee	1.0	0.975	1.0
c. Total Standard Level Rent Orders	523.6	633.2	615.3
d. Above Standard Level Service Orders			
Building Services and Space Adjustments	8.7	11.4	11.7
Force Protection	3.5	7.1	7.4
Raven Rock Mountain Complex	1.9	1.9	9.5
Subtotal Above Standard Services	14.1	20.5	28.5
Total New Orders:	537.6	653.7	643.807
Carry-In Orders:	17.5	18.5	17.9
Total Gross Orders:	555.1	672.2	661.7

Revenue and Expense
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

	FY 2019	FY 2020	FY 2021
Revenue			
Standard level	523.6	633.2	615.3
Above standard level	14.1	20.5	28.5
Total Revenue	537.6	653.7	643.8
Standard Level Operating Expenses:			
Real Property Operations	425.7	335.5	373.9
Compensation and Benefits	74.9	78.0	89.7
Cleaning	7.3	26.4	30.1
Utilities and Fuel	10.9	21.9	21.8
Maintenance	20.7	54.6	48.2
Other Building Services	21.6	56.8	63.6
Administration	6.7	17.8	18.3
Repairs (over \$10,000)	7.8	18.0	39.1
Information Technology	(20.6)	16.1	13.3
Library	2.3	2.3	0.648
Acquisition Services	(0.7)	0.2	0.3
Misc. Support (Human Resources, Financial Management)	234.3	1.4	2.8
Other Services (RRMC)	35.7	3.0	3.6
RRMC Improvements	24.8	39.2	42.4

Revenue and Expense
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

	FY 2019	FY 2020	FY 2021
Pentagon Force Protection Agency	233.3	247.4	244.4
Compensation and Benefits	145.4	141.9	141.8
Mission Integration	19.7	16.1	19.4
Security Integration & Technology	50.7	63.3	60.5
Threat Management	3.8	5.9	7.2
Emergency Management	0.2	0.6	0.6
Security Services	9.6	0.5	0.3
Law Enforcement	(2.7)	10.8	8.0
Human Capital and Training	(0.1)	0.0	0.0
Security Services Capital Requirements	6.8	8.4	6.5
Subtotal Standard Level Expenses	659.1	582.9	618.2

Revenue and Expense
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

	FY 2019	FY 2020	FY 2021
Above Standard Reimbursable Expenses:			
Real Property Operations	10.7	66.2	21.2
Projects and Services	4.5	57.8	5.3
Compensation and Benefits	5.8	6.4	6.4
RRMC Projects and Services	0.4	1.9	9.5
Pentagon Force Protection Agency	3.5	14.5	7.4
Supplies and Equipment Maintenance	1.0	8.8	1.9
Advisory and Assistance Services	0.0	1.7	1.4
Compensation and Benefits	2.5	4.0	4.1
Subtotal Above Standard Level	14.1	80.7	28.5
Total Operating Expenses	673.2	663.6	646.8
Recovery of Prior Year Balances			
Net Operating Result	(135.6)	(9.9)	(2.9)
Accumulated Operating Results Prior Year	166.9	31.3	21.4
Deferred Accumulated Operating Results	0.0	0.0	(18.4)
Accumulated Operating Results End of Year	31.3	21.4	0.0

Notes: Total expenses include Capital Investment Program expenses

Cost of Services
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020

Cost Center	FY 2019		FY 2020		FY 2021	
	Square Footage	Cost per SF	Square Footage	Cost per SF	Square Footage	Cost per SF
Pentagon	4,570,342		4,570,340		4,570,341	
Real Property Operations		\$ 48.64		\$ 48.56		\$ 55.21
Pentagon Force Protection		\$ 45.39		\$ 45.85		\$ 46.10
Total Cost/SF		\$ 94.03		\$ 94.41		\$ 101.31
Mark Center	1,281,580		1,281,580		1,281,580	
Real Property Operations		\$ 28.60		\$ 28.80		\$ 28.84
Pentagon Force Protection		\$ 14.22		\$ 11.62		\$ 12.58
Total Cost/SF		\$ 42.82		\$ 40.42		\$ 41.42

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

Capital Investment Summary
Washington Headquarters Services
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

Line #	Item Description	<u>FY 2019</u>		<u>FY 2020</u>		<u>FY 2021</u>	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE Equipment	1	6.8	1	8.4	1	6.5
2	ADPE & Telecommunication	1	-0.5	1	7.4	1	4.5
3	Software Development						
4	Minor Construction	1	0.0		0.0		0.0
	TOTAL	3	6.3	2	15.8	2	10.9

Activity Group Capital Purchase Justification
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2021 Budget Estimates					
B. Real Property Operations				C. ADPE & Telecommunications					
Element of Cost (\$000)	FY 2019			FY 2020			FY 2021		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADPE and Telecomm (RRMC)	1	-0.5	-0.5	1	7.4	7.4	1	4.5	4.5
TOTAL	1	-0.5	-0.5	1	7.4	7.4	1	4.5	4.5
FY 2019: \$-.5 million - Lifecycle ADPE hardware and software									
FY 2020: \$7.4 million - Lifecycle ADPE hardware and software									
FY 2021: \$4.5 million -Lifecycle ADPE hardware and software									

Activity Group Capital Purchase Justification
 Washington Headquarters Services
 Pentagon Reservation Maintenance Revolving Fund
 Fiscal Year (FY) 2021 Budget Estimates
 February 2020
 (\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2021 Budget Estimates					
B. Real Property Operations				C. Construction					
Element of Cost (\$000)	FY 2019			FY 2020			FY 2021		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction (RRMC)			0			0			0
TOTAL	0		0	0		0	0		0
FY 2019: \$0.3 million Infrastructure Repair - Infrastructure Repair at the RRMC (\$0.3 million)									

Activity Group Capital Purchase Justification
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2021 Budget Estimates						
B. Pentagon Force Protection Agency			C. Equipment/Other						
Element of Cost (\$000)	FY 2019			FY 2020			FY 2021		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE and Telecom Equip.	1	6.8	6.8	1	8.4	8.4	1	6.5	6.5
TOTAL	1	6.8	6.8	1	8.4	8.4	1	6.5	6.5
FY 2019: \$6.8 million in PFFA initiatives for Video surveillance, Access Control, Physical Security, & MILCON SPT Equipment. - Video Surveillance Program (\$2.1 million) - PFFA MILCON Equipment (\$2.2 million) - Electronic Access Control (\$2.2 million) - Physical Security Force Protection (\$0..3 million)									
FY 2020: \$8.4 million in PFFA initiatives for Sentry and Video Surveillance Program - Sentry Personnel Entrance Control Point (\$0.3 million) - Sentry Access Control Spt (\$3.6 million) - Video Surveillance Program (\$3.0 million) - Sentry Access Control Procurement (\$1.6 million)									
FY 2021: \$6.5 million in PFFA initiatives for Sentry and Video Surveillance Program - Video Surveillance Program (\$1.2 million) - Sentry Access Control Procurement (\$2.1 million) - Sentry Access Control Support (\$1.7 million) - Sentry Vehicle Entry Control Point (\$0.5 million) - Sentry Personnel Entry Control Point (\$0.6 million) - Chemical, Biological, and Radiological Security System Sensor Integration (\$0.4 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.

Capital Investment Summary
Washington Headquarters Services
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2019	Non-ADPE	11.7	6.8	(4.9)	Projects came in below original estimates
	ADPE and Telecom	3.8	-0.5	(4.3)	Projects came in below original estimates
	Minor Construction	0.3	0.0		
	Total 2018	15.8	6.3	(9.2)	
2020	Non-ADPE	8.4	8.4		
	ADPE and Telecom	7.4	7.4		
	Minor Construction				
	Total 2019	15.8	15.8	0.0	
2021	Non-ADPE	6.5	6.5		
	ADPE and Telecom	4.5	4.5		
	Minor Construction				
	Total 2020	10.9	11.0	0.0	

**Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2021
Budget Estimates**



February 2020

Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2021 Budget Estimate
September 2019

In Fiscal Year (FY) 1995, the Secretary of Defense 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 the 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.

The Washington Headquarters Service (WHS) and Pentagon Force Protection Agency (PFPA) are using the DOD Chief Management Officer's (CMO) FY 2018-FY 2022 National Defense Business Operations Plan as a guide to validate and optimize current and future service acquisition requirements. The CMO National Defense Business Operations Plan calls for DOD to improve and strengthen business operations through four lines of effort: moving to a DoD-enterprise or shared service provider to reduce agencies' administrative and regulatory burden; optimizing organizational structure; maintaining audit sustainment; and improving the quality of budgetary and financial information available.

Activity Group Composition

The BMF finances the activities of the 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)		
	FY 2019	FY 2020	FY 2021
Real Property Operations	239.9	274.4	258.1
Pentagon Force Protection Agency	<u>30.9</u>	<u>36.9</u>	<u>36.7</u>
Total Obligations	270.8	311.3	294.8

Overall, the FY 2021 President’s budget request reflects a net decrease of \$16.7 million, which consists of a price adjustment of \$6.1 million and a program decrease of \$22.8 million.

Narrative Explanation of changes from FY 2020 to FY 2021:

During the FY 2021 Program Budget Review, the Department underwent a series of in-depth initiatives to ensure optimum alignment to the National Defense Strategy and DoD strategic guidance, with particular focus on building a more lethal, resilient, agile, and ready force while strengthening alliances, prioritizing cyber and space capabilities, and focusing on innovation to maintain the technological advantage.

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Within the WHS Working Capital Fund, BMF, the DWR initiative identified \$0.280 million in savings that was made available for increased lethality across the Department. Additionally, the WHS took key steps in identifying areas where organizational realignment and streamlining could be optimized.

(\$ in millions)

Defense-Wide Reviews:

\$

Defense-Wide Review: Reduce Support for PFPA Activities: reduces Vehicles, radio support, and employee training.

- .280

(\$ in millions)

Other Changes:

FY2021 Performance Award Increase: in accordance with OMB Circular No. A-11, Section 32.1 on Personnel, Compensation, Benefits and Related Costs, this increase for civilian pay awards spending reflects an increase of 1 percentage point of the non-SES/SL/ST salary spending from FY 2020 to FY 2021.

+ .052

Financial Profile

(Dollars in Millions)

	FY 2019	FY 2020	FY 2021
Revenue	285.1	296.8	295.2
Expenses	<u>270.8</u>	<u>311.3</u>	<u>294.8</u>
Net Operating Results	14.3	(14.5)	0.4
Disbursements	323.1	275.6	299.9
Collections	<u>285.1</u>	<u>249.5</u>	<u>295.1</u>
Net Outlays	38.0	26.1	4.8
Beginning Cash Balance	77.7	39.7	13.6
Ending Cash Balance	<u>39.7</u>	<u>13.6</u>	<u>8.8</u>
Change in Cash Balance	(38.0)	(26.1)	(4.8)

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 finances 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:

Facility Type	(Dollars in Millions)		
	FY 2019	FY 2020	FY 2021
Government Owned	2.3	2.6	2.9
Leased Facilities	268.8	273.3	272.4
Above Standard Work	<u>14.0</u>	<u>21.0</u>	<u>19.9</u>
Total Revenue	285.1	296.8	295.2

Note: Totals may not add due to rounding.

Staffing

	Full Time Equivalent (FTE)		
	FY 2019	FY 2020	FY 2021
Real Property Operations	34	42	48
Pentagon Force Protection Agency	<u>90</u>	<u>82</u>	<u>88</u>
Total	124	124	136

Narrative Explanation of Staffing Changes:

The increase of 12 FTE is driven by an effort to obtain an optimal fill-rate 90% within the BMF.

Sources of New Orders and Revenue
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

	FY 2019	FY 2020	FY 2021
1. New Orders			
a. Orders from DoD Components			
Department of the Air Force	3.8	3.5	3.5
Department of the Army	51.5	47.4	47.8
Department of the Navy	20.3	18.6	19.1
Subtotal Military Departments	75.5	69.5	70.4
Defense-Wide			
US Court of Appeals for the Armed Forces	2.3	2.6	2.9
COWARDIN	0.4	0.3	0.4
Defense Acquisition University	0.0	0.0	0.0
Defense Advanced Research Project Agency	19.5	19.3	20.0
Defense Contract Audit Agency	1.6	2.0	1.9
Defense Contract Management Agency	2.2	3.9	4.0
Defense Human Resources Activity	0.0	0.0	0.0
Defense Intelligence Agency	28.0	29.6	30.1
Defense Information Systems Agency	9.6	10.6	10.5
Defense Logistics Agency	5.1	5.1	5.3
Defense Legal Services Activity	1.9	1.9	1.6
Defense Media Activity	1.4	1.0	0.9
Defense Missing Persons Organization	1.2	1.3	1.3
DoD Classified Program	1.0	1.1	1.1

Sources of New Orders and Revenue
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

Defense-Wide (Cont.)	FY 2019	FY 2020	FY 2021
Dept of Defense Inspector General	0.0	0.2	0.2
Dept of Hearings and Appeals	3.2	2.7	2.8
Defense Security Cooperation Agency	4.9	4.5	4.6
Defense Security Service	3.0	6.9	7.6
Defense Threat Reduction Agency	9.2	8.5	8.4
Joint Staff	0.2	0.2	0.6
Joint Strike Fighter	10.2	10.1	10.6
Missile Defense Agency	3.6	0.8	0.8
National Commission on Public Service	0.0	0.5	0.5
Office of Economic Adjustment	0.7	0.7	0.7
Office of Military Commissions	5.7	4.3	4.3
Pentagon Force Protection Agency	4.2	4.2	4.3
Defense Health Agency	52.6	53.3	54.8
Strategic Capabilities Office	1.0	0.9	1.0
Southern Command	0.0	0.2	0.0
Transportation Command	0.1	0.1	0.1
White House Management Office	2.7	3.2	3.0
Washington Headquarters Services and Office of the Secretary of Defense	19.0	25.0	15.4
Boards, Commissions & Task Forces	1.1	1.1	2.4
National Security Commission on Artificial Intelligence	0.0	0.0	0.3
Joint Artificial Intelligence Commission	0.0	0.0	0.9
Special Inspector General for Afghanistan Reconstruction	0.0	0.0	0.9
Electromagnetic Spectrum Operations CFT	0.0	0.0	0.3
Military Aviation Safety Commission	0.0	0.0	0.2
Cyber Solarium Commission	0.0	0.0	0.2
Subtotal Defense-Wide	195.6	206.3	204.9

Sources of New Orders and Revenue
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020
(\$ in Millions)

	FY 2019	FY 2020	FY 2021
b. Total Standard Level Rent Orders	271.2	275.9	275.3
c. Above Standard Level Service Orders			
Building Services and Space Adjustments	11.6	17.0	15.9
Force Protection	2.4	3.9	4.0
 Subtotal Above Standard Services	14.0	21.0	19.9
Total New Orders	285.1	296.8	295.2
Carry-In Orders	8.9	15.5	9.2
Total Gross Orders	294.0	312.3	304.4

Cost of Services
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2021 Budget Estimate
February 2020
(\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	
Revenue				
Standard level	271.2	275.9	275.3	275.475
Above standard level	14.0	21.0	19.9	
Total Revenue	285.1	296.8	295.2	295.412
 Standard Level Operating Expenses:				
 Real Property Operations	220.1	244.8	242.2	
Cleaning/Trash/General	0.0	0.0	0.2	
Utilities and Fuel	(0.6)	0.1	0.2	
Maintenance	(3.7)	0.0	0.2	
Other Building Services	(2.3)	1.8	3.9	
Administration	2.3	9.1	7.8	
Repairs (over \$10,000)	(0.6)	0.0	0.0	
Travel and Transportation of Personnel	(0.4)	0.0	0.0	
Information Technology	(10.9)	0.0	0.0	
Defense Post Office	0.0	0.0	0.0	
GSA/DHS Rent Program	236.4	233.8	230.0	
 Pentagon Force Protection Agency	28.5	31.5	32.7	
Compensation and Benefits	8.4	8.3	8.4	
Deputy Director	0.0	0.0	0.0	
Human Capital and Workforce Development	0.0	0.0	0.0	
Law Enforcement	15.0	17.3	14.4	
Mission Integration	2.0	0.2	0.3	
Security Services	3.7	5.7	9.6	
Threat Management	(0.6)	0.0	0.0	
 Subtotal Standard Level Expenses	248.6	276.3	274.9	

Cost of Services
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2021 Budget Estimate
February 2020
(\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Above Standard Reimbursable Expenses:			
	<u>22.2</u>	<u>35.075</u>	<u>19.937</u>
Real Property Operations	19.8	29.7	15.9
Pentagon Force Protection Agency	2.5	5.4	4.0
Subtotal Above Standard Level Expenses	22.2	35.1	19.9
Total Operating Expenses	270.8	311.3	294.8
Recovery of Prior Year Balances			
Net Operating Result	14.3	(14.5)	0.4
Accumulating Operating Results Prior Year	14.4	28.7	14.2
Deferred Accumulated Operating Results	0.0	0.0	(14.6)
Accumulated Operating Results End of Year	28.7	14.2	0.0

Cost of Services
Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2021 Budget Estimates
February 2020

Cost Center	FY 2019		FY 2020		FY 2021	
	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		\$ 78.86		\$ 88.69		\$ 100.19
Pentagon Force Protection		\$ 9.39		\$ 12.94		\$ 13.20
Security Services*		\$ 80.90		\$ 101.51		\$ 103.66
Total Cost/SF		\$ 169.14		\$ 203.14		\$ 217.06

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

DEFENSE LOGISTICS AGENCY
National Defense Stockpile Transaction Fund
DLA Strategic Materials
Fiscal Year (FY) 2021 - 2025 President's Budget
January 2020

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 a 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.

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

Funding:

Historically, operations and new acquisitions of strategic and critical materials necessary to mitigate identified risks have been funded through the sale of NDS materials deemed excess to requirements. Proceeds from the sale of excess materials are covered into the NDS Transaction Fund, the revolving fund established to transact NDS business. The fund's cash corpus and salable assets have been significantly diminished over the past two decades due to Congressionally mandated sales and cash transfers to the U.S General Treasury.

The remaining quantities of NDS materials that are excess to NDS needs will eventually be insufficient to fully finance program cost such as general operations, material acquisitions, and environmental liabilities. Current projections indicate that the NDS program may reach an unsustainable point by FY 2025. DLA will continue to work with the Department to develop a strategy to mitigate projected financial risks.

Sales Program:

The sales program offers quantities of select materials for sale that have been deemed excess to current NDS requirement levels. DLA-SM develops and executes a non-market disrupting sales plan within Congressional authorities. Collections in FY 2019 were \$23.7 million below plan due to lower market prices and lower than expected demand.

<u>Collections</u>	FY 2019	FY 2020	FY 2021
Dollars in Millions			
Principal	40.3	64.0	54.2
Total	\$40.3	\$64.0	\$54.2

<u>Budget Highlights</u>	FY 2019	FY 2020	FY 2021
Program Costs			
Dollars in Millions			
Labor	9.4	9.9	11.0
Non-Labor	26.9	39.0	39.9
Acquisitions	23.7	51.0	39.4
Environmental	1.0	7.3	3.4
Total	\$61.0	\$107.2	\$93.7

Acquisitions

In FY 2019, DLA Strategic Materials procured \$23.7 million in strategic and critical materials and in FY 2020, \$51.0 million in critical material acquisitions are planned. For FY 2021 thru FY 2025, \$28.8 million is the yearly average budget over the FYDP to further acquire needed strategic and critical materials. Within the FY 2021 thru FY 2025 budgets, \$10.0 million annually is included for acquisition of energetics materials. This budget also provides funding for costs to reclaim critical materials from surplus Federal assets

in order to satisfy NDS critical material requirements and to create domestic sources of supply to help reduce requirements to stockpile certain materials.

Labor

Labor costs for the NDS program are currently at a steady state throughout the FYDP, with year over year increases attributed only to inflation. DLA-SM will continue to identify and close emerging skill gaps, enabling the agency to carry out its mission. Budget projections through the FYDP ensure optimal staffing levels to achieve program objectives. The current labor budget supports an FTE level of 72 but DLA-SM is actively assessing program requirements with the intent of consolidating functions through attrition.

Non-Labor

Mobilization Studies Program: The Mobilization Studies program is comprised of a broad range of research and analysis studies 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) care of stockpile materials including fees for vendor managed storage and handling requirements for materials upgrades, (2) long term mercury repackaging/storage operations, (3) reclamation of surplus materials from the Department of Energy and other Federal Agencies suitable for transfer to or required for the NDS, (4) support for energetics receiving, storage, and quality control, (5) storage of new semi-processed NDS materials at vendor locations to expedite finished processing in the event these materials are required in a contingency, and (6) ingot production at Rock Island Arsenal from NDS tin reserves.

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.

Depot Operations: Depot Operations are costs associated with operating and maintaining NDS storage locations, which includes inventory management, security, operations, maintenance, janitorial services, and equipment. The DLA-SM headquarters is located at Fort Belvoir, VA and DLA-SM operates four staffed storage locations at Hammond, IN, Hawthorne, NV, Scotia, NY, and Youngstown, OH. In addition to staffed locations, DLA-SM operates unstaffed storage locations at Point Pleasant, WV and Wenden, AZ where bulk materials are stored for future sale. Vendor managed storage locations for specialized materials are located in Santa Clarita, CA and Saint George, UT.

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 of approximately \$700-800 thousand per year that are expected to remain relatively constant through FY 2025. Environmental remediation projects at Somerville, NJ and Large, PA are expected to be active between FY 2020 and FY 2025. At Somerville, NJ, the Remedial Investigation and associated Feasibility Study were completed in FY 2018. They were used to develop an environmental remedial design for the site. Active remediation was initiated in FY 2019 with partial funding in FY 2018 for soil and sediment remediation. A contract for groundwater remediation at the Somerville location was awarded in FY 2019. The Somerville location will be a multi-million dollar project, and some components of remediation and monitoring may run through FY 2025.

Defense Logistics Agency
National Defense Stockpile Transaction Fund
DLA Strategic Materials
Statement of Financial Condition
Fiscal Year (FY) 2021 - 2025 President's Budget
January 2020
(\$M)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
ASSETS:							
Selected Assets:							
Cash (EOY)	287.3	244.1	204.6	182.9	166.6	106.7	42.3
Accounts Receivable	-	-	-	-	-	-	-
Inventories	779.2	766.2	751.4	720.1	683.6	689.2	699.8
Other Asset Accounts:	<u>1.2</u>	<u>1.0</u>	<u>0.8</u>	<u>0.6</u>	<u>0.3</u>	<u>0.1</u>	<u>-</u>
TOTAL ASSETS	1,067.7	1,011.3	956.8	903.6	850.5	796.0	742.1
LIABILITIES							
Selected Liabilities							
Accounts Payable	7.1	2.5	2.5	2.5	2.5	2.5	2.5
Advances Received	-	-	-	-	-	-	-
Environmental Clean-up Liability	17.6	7.0	3.0	2.0	2.0	2.0	2.0
Other Liabilities	<u>3.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>
TOTAL LIABILITIES	28.2	12.0	8.0	7.0	7.0	7.0	7.0
GOVERNMENT EQUITY							
Cumulative Results of Operations	<u>1,039.5</u>	<u>999.3</u>	<u>948.8</u>	<u>896.6</u>	<u>843.5</u>	<u>789.0</u>	<u>735.1</u>
TOTAL NET POSITION	1,039.5	999.3	948.8	896.6	843.5	789.0	735.1
TOTAL LIABILITIES AND EQUITY	1,067.7	1,011.3	956.8	903.6	850.5	796.0	742.1

Defense Logistics Agency
National Defense Stockpile Transaction Fund
DLA Strategic Materials
Stockpile Financial Status Report
Fiscal Year (FY) 2021 - 2025 President's Budget
January 2020
(Dollars in Millions)

	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Treasury Cash Balance, End of Prior Year	294.1	287.3	244.1	204.6	182.9	166.6	106.7
Collections	40.3	64.0	54.2	65.4	65.9	15.0	9.9
Disbursements	<u>47.2</u>	<u>107.2</u>	<u>93.7</u>	<u>87.1</u>	<u>82.2</u>	<u>74.9</u>	<u>74.4</u>
Labor	9.4	9.7	11.0	11.2	11.4	11.6	11.9
Non-Labor	24.7	46.5	43.3	41.8	41.5	42.7	41.9
Other Program Costs	13.0	51.0	39.4	34.1	29.4	20.6	20.6
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
Cash Balance	287.3	244.1	204.6	182.9	166.6	106.7	42.3
Selected Liabilities							
Accounts Payable	7.1	2.5	2.5	2.5	2.5	2.5	2.5
Advances Received	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Environmental Clean-up Liability	17.6	7.0	3.0	2.0	2.0	2.0	2.0
Other Liabilities	3.5	2.5	2.5	2.5	2.5	2.5	2.5
Undelivered Orders	48.8	40.0	40.0	40.0	40.0	40.0	40.0
Other Contingencies (Sequester)	<u>-0.5</u>	<u>23.4</u>	<u>20.0</u>	<u>16.1</u>	<u>14.0</u>	<u>12.4</u>	<u>12.4</u>
Totals	76.5	75.4	68.0	63.1	62.8	59.4	59.4
Estimated Available Cash	210.8	168.7	136.6	119.8	103.8	47.3	-17.1

Defense Counterintelligence Security Agency (DCSA)



Fiscal Year (FY) 2021 President's Budget

Working Capital Fund (WCF)

February 2020

Overview

The Defense Counterintelligence and Security Agency (DCSA) 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
- (3) Eligibility for access to classified information.

The Executive Order 13869 established DCSA as the primary federal entity for conducting background investigations for the Federal Government. The background investigation mission is poised to continue to evolve and improve in FY 2021 and beyond. The development of the Trusted Workforce 2.0 Framework led jointly by the Security Executive Agent and Suitability and Credentialing Executive Agent efforts will transform how the federal government executes background investigations, and will have a huge impact on the workload. 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

Great strides are being made to decrease investigation case inventory and to improve timely delivery of quality background investigations products and services to its agency customers. One of DCSA's main goal is to achieve a healthy, and sustainable steady-state inventory level which is expected to be achieved by FY 2021. Continued investments in innovative 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 more timely, permitting DCSA to strategically and efficiently use field investigators while providing the same scrutiny to each investigation. In addition to its emphasis on innovation and process improvement, DCSA will focus on maintaining an ideal federal and contractor investigator capacity and further developing quality review capacity. 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), in lieu of more labor-intensive, traditional methods. DCSA will implement these new processes, (e.g., CE/CV), and approaches pursuant to guidance prescribed by new Federal Investigative Standards, and Executive Order 13467, as amended. CE/CV allow agencies to review background information of an individual at any time during the period of eligibility to determine whether the individual continues to meet the requirements for access to classified information.

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). During NBIS development, legacy IT systems vital to DCSA's

operations will continue to be secured, maintained, and updated. NBIS is planned for deployment in FY 2021 with a full operation phased approach starting with Tier 1 investigations for a select number of customers. The remaining investigations will be processed in the legacy system, PIPS until NBIS is ready for additional caseload.

DCSA's personnel vetting program will 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 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. Furthermore, to achieve timely and secure background investigation processes, DCSA is developing transformative changes over a multi-generational implementation plan. This effort includes, but is not limited to an intelligence automation assessment, robotic process automation, time and motion study, workload assessment for Federal Field investigation, and the stand up of an innovation server. 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 in accordance with Federal Investigative Standards which 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

During the transition phase, buyback services will be established to utilize OPM's existing processes and systems in the short-term, and OPM to utilize DCSA resources to complete existing legacy cases inventory. As part of the transfer and transition, DCSA plans to increase its direct embedded staffing levels by up to 168 employees to replace support functions previously provided as part of the OPM's common services.

Leveraging CE/CV is expected to reduce the number of reinvestigations in DCSA's inventory, allowing investigators' to be redirected to more complex investigations, or for initial entry applicants into government workforce. While the FY 2021 budget submission assumes a decrease 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 and budgetary requirements.

DCSA offers its federal customers a variety of investigative products and services to meet their investigative needs. The FY 2021 Federal Investigations Notice (FIN) number 19-04 dated June 2019 published FY 2021 rates remained at the FY 2020 rates with 0% increase as outlined in the table below. 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 major infrastructure upgrades.

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	604
Tier 2 Reinvestigation (T2R)	\$265	286
Tier 3 (T3)	\$440	<i>Not Available</i>
Tier 3 Reinvestigation (T3R)	\$424	<i>Not Available</i>
Tier 4 (T4)	\$4,233	4571
Tier 4 Reinvestigation (T4R)	\$2,723	2940
Tier 5 (T5)	\$5,706	6163
Tier 5 Reinvestigation (T5R)	\$3,134	3385

Budget Summary

DCSA’s personnel vetting program is a fee-for-service organization that provides personnel background investigations on a self-sustaining businesslike financing model with the overall goal to break-even. The FY 2020 projected cost increase is attributed to an increase in civilian pay in accordance with the 3.1% pay raise that results in the negative \$11.7M NOR. The FY 2021 reduction in cost assumes a projected decrease in workload that results in the positive AOR. The table below represents key budget data summary:

Key Budget Data (\$M)			
	FY 2019	FY 2020	FY 2021
Revenue	0.0	1,424.0	1,424.0
Cost	0.0	1,435.7	1,359.0
Net Operating Result (NOR)	0.0	-11.7	65.0
PY Accumulated Operating Results	0.0	-11.7	53.2
Capital Budget	0.0	0.0	0.0
Civilian Work Years (FTEs)		3,513	3,315

DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY
Working Capital Fund
Background Investigation Services
Summary of Price, Program, and Other Changes (Operating Budget) - Costs
Fiscal Year (FY) 2021 President Budget
February 2020
(\$ in Millions)

	<u>Cost</u>
FY 19 Actual:	0.0
FY 20 Current Estimate*	1435.7
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.0
FY 21 Pay Raise	0.0
General Purpose Inflation	26.7
Program Changes:	
Civilian Personnel	0.0
Travel of Persons	3.2
Material & Supplies	(31.6)
Commercial Equipment Purchases	2.4
Other Purchased Services from Revolving Fund	0.0
Transportation of things	0.0
Printing and Reproduction	(0.1)
Advisory and Assistance Services	(75.4)
Rent, Communications, Utilities, and Misc	(1.2)
Other Purchased Services	(0.6)
Capital Investment Recovery	0.0
FY 21 Current Estimate	1359.0

*Based on unliquidated NBIB obligations in OPM being transferred and re-obligated in DCSA, along with more up to date workload/spending projections received from NBIB program offices, the estimated budget projection in FY 2020 has increased from the FY 2020 PB estimates.

DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY
Working Capital Fund
Background Investigation Services
Source of New Orders and Revenue
Fiscal Year (FY) 2021 President Budget
February 2020
(\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020*</u>	<u>FY 2021</u>
1. New Orders			
a. Orders from DoD Components	0.0	1,012.7	1,012.7
Department of the Navy	0.0	232.7	232.6
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	274.3	274.3
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) 2021 President Budget

February 2020

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	 191.7	 191.7
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	 314.1	 314.1
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	314.1	314.1
 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) 2021 President Budget
February 2020

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	1,012.7	1,012.7
d. Other Orders	0.0	411.3	411.3
Other Federal Agencies	0.0	411.0	411.0
Non-Federal Agencies and Other	0.0	0.3	0.3
Total New Orders	0.0	1,424.0	1,424.0
2. Carry-In Orders	0.0	0.0	-11.7
3. Total Gross Orders	0.0	1,424.0	1,412.2
4. Funded Carry-Over	0.0	-11.7	53.2
5. Total Gross Sales	0.0	1,435.7	1,359.0

*Based on more up to date workload/spending projections received from NBIB program offices, the estimated budget projection in FY 2020 has increased from the previous FY 2020 PB estimates.

DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY
Working Capital Fund
Background Investigation Services
Revenue and Expenses
Fiscal Year (FY) 2021 President Budget
February 2020
(\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Revenue			
Gross Sales	0.0	1,424.0	1,424.0
Operations	0.0	1,424.0	1,424.0
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
Total Income	0.0	1,424.0	1,424.0
Costs			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages			
Civilian Personnel Compensation & Benefits	0.0	432.5	439.1
Travel & Transportation of Personnel	0.0	20.8	24.4
Materials & Supplies (For Internal Operations)	0.0	34.2	3.3
Equipment	0.0	4.9	7.4
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	0.6	0.6
Advisory and Assistance Services	0.0	915.3	858.2
Rent, Communications, Utilities, & Misc. Charges	0.0	19.6	18.9
Other Purchased Services	0.0	7.7	7.3
Total Expenses	0.0	1,435.7	1,359.0
Operating Result	0.0	(11.7)	65.0
Adjustments affecting NOR (specify)	0.0	0.0	0.0
Net Operating Result	0.0	(11.7)	65.0
Prior Year AOR	0.0	0.0	(11.7)
Accumulated Operating Result	0.0	(11.7)	53.3
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
Accumulated Operating Results for Budget Purposes	0.0	(11.7)	53.3