

Department of Defense Revolving Funds

Justification/Overview



Fiscal Year 2023 Budget Estimates

April 2022

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Preparation of the Defense Revolving Funds Justification book cost the Department of Defense a total of approximately \$25,000 in Fiscal Year (FY) 2022.

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**Washington Headquarters Services
Pentagon Reservation Maintenance
Revolving Fund
Fiscal Year (FY) 2023
Budget Estimates**



April 2022

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Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Pentagon Reservation Maintenance Revolving Fund
Fiscal Year 2023 Budget Estimate
April 2022

The National Defense Authorization Act for FY 1991 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 PRMRF finances select activities of the Washington Headquarters Services (WHS) and the Pentagon Force Protection Agency (PFPA) within the Pentagon Reservation. The WHS and PFPA used the National Defense Business Operations Plan as a guide to validate and optimize current and future service acquisition requirements. The 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 provides space, building services, deep underground relocation capability, and force protection for 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 PFPA.

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 actual and estimated obligations by activity group.

Budget Sub-Activity	Dollars in Millions					
	FY 2021		FY 2022		FY2023	
	Operating	Capital	Operating	Capital	Operating	Capital
Real Property Operations	419.7	4.5	442.5	4.8	438.0	7.5
Pentagon Force Protection Agency	249.7	6.5	270.1	10.6	267.7	6.6
Total by Category	669.4	11.0	712.6	15.4	705.7	14.0
Total PRMRF	680.5		728.0		719.8	

Note: Totals may not add due to rounding

Customer rates are set to recover both operating and capital investment costs budgeted for each year. The FY 2023 request reflects an increase to the standard rates of 9.2% from FY 2022 rates.

Narrative Explanation of changes from FY 2022 to FY 2023

Overall, the FY 2023 President’s Budget request reflects a net decrease of \$8.2 million from the FY 2022 President’s Budget, which consists of a price adjustment of \$22.2 million and a program decrease of \$30.4 million. The total program decrease in FY 2023 of \$30.4 million is primarily the budget impact of carrying over \$61.6 million of unobligated balances from FY 2021 to FY 2022. The remaining program change is a result of increase in facilities services cost, decreases in utility requirements and support services of \$6.1 million, increase in project management and professional support of \$2.6 million and decrease in

compensation and benefits of -\$5.1 million. The overall price increase is the result of an increase in labor costs of \$12.5 million and general purchase inflation of \$9.6 million.

Financial Profile:

		(Dollars in Millions)		
		FY 2021	FY 2022	FY 2023
Revenue		646.0	666.5	718.4
Expenses		669.5	712.6	705.6
Capital Investments		10.9	15.4	14.1
Net Operating Results (NOR)		-34.4	-61.5	-1.3
Disbursements		649.3	697.4	717.6
Transfer Out		0.0	0.0	0.0
Collections		873.4	736.5	717.4
Net Outlays		-224.1	-39.1	0.2
Beginning Cash Balance		255.1	479.2	518.2
Ending Cash Balance		479.2	518.2	518.0
Change in Cash Balance		224.1	39.1	-0.2

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 Reservation personnel, assets and facilities.

Capital Budget

The capital budget includes security improvements and Facilities Related Control Systems (FRCS) upgrades at the Pentagon; network upgrades, Facility Sustainment, Restoration, and Modernization (FSRM) projects and new fire-fighting apparatus at the RRMC. 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 efficiencies, and minimize costs to customers. Some examples of recent initiatives are:

- Continued review by the Services Requirements Review Board (SRRB) to identify cost reductions, which 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
- Consolidation of accounting functions for PFPA in WHS to improve efficiency, standardize operations, increase auditability
- Inclusion of overtime heating ventilation and air conditioning in basic Pentagon Rents
- Over the past several years, WHS received transfer of responsibilities for a number of services previously provided to tenants of the Pentagon by the Army including the below activities. Personnel transfers to WHS were made per signed Memoranda of Agreement (MOAs) and funding for these operations was transferred from the Army to the actual tenants of the Pentagon at the time of each transition and is now included in annual Pentagon Rent bills.
 - Operation of the Pentagon Library
 - Operation of the Pentagon Post Office
 - Operation of the Pentagon Motor Pool
 - Operation of the Pentagon Auditorium
 - Operation of the Pentagon Athletic Centers (PAC)
 - Financial responsibility for safety requirements for operation of the Pentagon Helipad

WHS has undertaken several architectural and engineering studies as a result of infrastructure deterioration from normal aging and use of the buildings supported by the PRMRF. Real Property typically requires periodic infusion of funding in order to maintain the integrity of the physical plant and preserve the value of the property. Since the conclusion of the Pentagon Renovation efforts in 2012, in an effort to minimize customer rent bills, WHS has not programmed to fund annual capital repairs at the level that is needed to keep the Pentagon in good repair and safely support the mission of the DoD tenants. The Mark Center has now been in service for a decade and requires programmed investment in physical plant and security to support the critical mission of the 26

DoD tenants. WHS anticipates initiating an ongoing facility restoration, sustainment, and modernization program to repair, restore, and properly maintain the buildings on the Pentagon Reservation, adequately secure facilities as standards change, and preserve the integrity of those portions of the Pentagon Reservation which hold Historical Landmark status.

Cash Requirement Projection

PRMRF monthly cash range estimates were determined using Comptroller established basic methodology, adjusted for operational facts associated with normal execution of the PRMRF.

Rate of Disbursement: Anticipated disbursements during the budget year were calculated by applying historical disbursement rates for the base year of FY 2023 plus five previous years, which typically disburse during the budgeted year (i.e., in FY 2023, PRMRF anticipates disbursing funds that were obligated in FY 2018 – FY 2023). The total of that anticipated annual disbursement amount is divided by the 12 monthly collection cycles to obtain an estimated monthly rate of disbursement of \$55.7 million.

Range of Operation: The lower level of the operational range for cash for FY 2023 is determined by adding the amount needed to fund reserves with the amount needed for risk mitigation. The lower limit for the operational range for FY 2023 is \$406.2 million. The upper estimated limit of the operational range is the lower limit plus three months of anticipated disbursements. The month end PRMRF cash during FY 2023 should stay between \$406.2 million and \$584.8 million.

Risk Mitigation: The primary risk experienced by the PRMRF is typically related to delays in receiving orders at the start of the fiscal year. Normal start up delays for our customers to receive appropriations and issue funded orders have been exacerbated by the new normal of experiencing continuing resolutions every year. Monthly disbursements are mostly for payroll and contract related costs and typically are fairly consistent from month to month. No separate amount was set aside in the FY 2023 budget exhibit for risk mitigation. However, provision was made in the range calculation to allow for the impact of several months of catch up rent collections being received in a single month when delayed orders are received and processed.

Reserves: Cash should already be in the bank to fund confirmed unpaid obligations, which are typically funded through rent. Rent from prior years has generally already been collected and should already be in the bank to fund obligations. A reserve was included in the amount of \$369 million based on projected unpaid obligations calculated as anticipated disbursements from the cash computation worksheet. A reserve amount was established for unfunded leave liability in the amount of \$8 million. Finally, a reserve line in the amount of \$29.2 million was established to fund unobligated balances carried forward into the budget year.

The cash phasing report in the Fund 13 applies historical monthly collection and disbursement rates and adjustments which reflect the typical pace of operations of the PRMRF. In FY 2014 WHS moved to an enterprise accounting system and was not taken off a separate monthly TBO uncleared process. The error was identified in FY 2021 and the adjustments generated in that uncleared process during FY 2017 – FY 2021 needed to be reversed (corrections had previously been made for FY 2014 - 2016). As noted in the Fund 13, FY 2021 and 2022 included Fund Balance with Treasury (FBWT) collection corrections of adjustments which

occurred from FY 2017 – FY 2021. At the time of preparation of the FY 2023 budget, PRMRF anticipates one more correction, which is needed to be able to appropriately fund the obligations of the PRMRF. The calculations of the lower range limit remained steady from the PB 2022 budget cycle to the PB 2023 budget cycle. The PRMRF experienced some loss from adjustments not including corrections for orders funded by now-cancelled years. Final impact to the fund is still being assessed.

The FY 2021 Cash Requirement was updated in the FY 2022 President’s Budget request to include in the reserves the full amount of the unpaid obligations per the PRMRF general ledger, reduced by the amount of unfilled Above Standard orders. Unlike rents, spending to fulfill Above Standard orders typically happens before the order is collected, so there should not already be cash in the account. The PB 2022 Cash Requirement also utilized one month’s operating expense as a Risk Mitigation factor, but WHS elected to include this amount in the calculation of the upper limit and not the lower limit during the PB 2023 cycle to widen the acceptable operational range.

Staffing

	Full Time Equivalents (FTE)		
	FY 2021	FY 2022	FY 2023
Real Property Operations - RPO	664	728	728
Pentagon Force Protection Agency - PFPA	960	1,058	1,058
Total	1,624	1,786	1,786

Narrative Explanation of Staffing Changes:

The workforce requirements remain steady in the PRMRF.

FY 2021 Estimate in President's Budget	680.5
FY 2022 Estimate in President's Budget	728.0
Pricing Adjustments:	22.2
Annualization of Pay Raises	1.8
Price Growth Pay	10.7
General Purchase Inflation	9.6
Program Changes:	(30.4)
<u>Compensation and Benefits - Civilian Average Annual Compensation:</u> Each year, civilian compensation rates are developed based on detailed execution and cost factor analysis. These rates are created and implemented with the paramount purpose of accurately forecasting cost estimates for the civilian workforce. The average annual rate (AAR) change is the result of these rate changes combined with the fluctuations in composition of civilian pay types.	(4.02)
<u>Compensation and Benefits - One less compensable day in FY 2023:</u> The number of compensable days for FY 2022 is 261 days (2,088 hours), and for FY 2023 is 260 days (2,080 hours).	(1.03)
Decrease reflects decrease in utility requirements, Engineering and Technical services, and Safety and Health Support services to minimize rent increase.	(6.1)
Facilities Services: Overall decrease reflects the impact of carrying prior year unobligated balances into FY 2022 of -\$42.8 million and programmatic cost increases of \$25.1 million.	(21.9)
Increase in Management & Professional Support/Project Management requirements.	2.6
FY 2023 Estimate	719.8

	FY 2021	FY 2022	FY 2023
New Orders			
a. Orders from DoD Components			
Department of the Air Force	94.3	97.085	105.968
Department of the Army	102.8	105.793	117.153
United States Marine Corps	31.9	32.771	36.095
Department of the Navy	66.4	68.525	73.909
Subtotal Military Departments	295.4	304.2	333.1
Defense-Wide			
Defense Intelligence Agency	18.8	19.5	20.0
Defense Information Systems Agency	32.0	33.3	29.8
Defense Logistics Agency	0.4	0.4	0.4
Joint Chiefs of Staff	79.5	83.1	89.8
National Geospatial-Intelligence Agency	1.3	1.3	1.5
National Security Agency	0.4	0.4	0.4
National Guard Bureau	2.8	2.8	3.8
Washington Headquarters Services and Office of the Secretary of Defense	156.9	160.4	182.3
Defense Finance and Accounting Service	0.5	0.5	0.5
Defense Human Resources Activity	8.7	8.5	9.3
Department of Defense Education Activity	3.8	3.7	4.1

Defense-Wide (Cont.)	FY 2021	FY 2022	FY 2023
Dept of Defense Inspector General	10.6	10.5	11.5
Defense Technology Security Administration	1.9	1.9	2.0
Office of Military Commissions	0.4	0.4	0.5
Test Resource Management Center	0.9	0.8	0.9
Subtotal Defense-Wide	318.9	327.7	356.8
b. Orders from Non-DoD Activities			
DoD Concessions Committee	1.3	0.975	0.975
c. Total Standard Level Rent Orders	615.6	632.8	690.9
d. Above Standard Level Service Orders			
Building Services and Space Adjustments	16.2	13.9	14.6
Force Protection	6.8	10.3	10.4
Raven Rock Mountain Complex	7.6	9.5	2.6
Subtotal Above Standard Services	30.5	33.7	27.6
Total New Orders:	646.0	666.5	718.4
Carry-In Orders:	46.2	49.2	50.0
Total Gross Orders:	692.2	715.7	768.4

	FY 2021	FY 2022	FY 2023
Revenue			
Standard level	615.6	632.8	690.9
Above standard level	30.5	33.7	27.6
Total Revenue	646.0	666.5	718.4
Standard Level Operating Expenses:			
Real Property Operations	423.1	397.6	419.2
Compensation and Benefits	95.8	107.8	110.5
Cleaning	31.4	27.6	31.3
Utilities and Fuel	22.8	19.6	20.5
Maintenance	50.3	46.7	53.5
Other Building Services	66.5	55.6	54.9
Administration	18.7	10.1	16.8
Repairs (over \$10,000)	40.9	35.5	51.4
Information Technology	0.0	13.0	15.7
Library	(0.3)	0.7	0.807
Acquisition Services	1.8	0.3	0.3
Misc. Support (Human Resources, Financial Management)	22.1	33.5	18.0
Other Services (RRMC)	23.1	4.7	4.6
RRMC Improvements	50.1	42.6	40.9
Pentagon Force Protection Agency	255.7	263.2	259.7
Compensation and Benefits	157.3	146.9	151.0
Mission Integration	24.0	21.6	26.7
Emergency Management	0.0	0.6	0.8
Security Integration & Technology	57.3	65.4	57.1
Threat Management	5.8	7.7	6.9
Law Enforcement	5.7	10.4	10.5
Security Services Capital Requirements	5.5	10.6	6.6
Subtotal Standard Level Expenses	678.7	660.8	678.9

	FY 2021	FY 2022	FY 2023
Above Standard Reimbursable Expenses:			
Real Property Operations	1.1	49.7	26.3
Projects and Services	0.6	31.7	12.3
Compensation and Benefits	0.5	8.5	8.9
RRMC Projects and Services	0.0	9.5	5.2
Pentagon Force Protection Agency	0.6	17.5	14.6
Supplies and Equipment Maintenance	0.2	9.6	4.3
Advisory and Assistance Services	0.4	1.4	3.4
Compensation and Benefits	0.0	6.5	6.8
Subtotal Above Standard Level*	1.7	67.2	40.9
Total Operating Expenses	680.5	728.0	719.8
Recovery of Prior Year Balances	0.0	0.0	0.0
Net Operating Result	(34.4)	(61.5)	(1.3)
Accumulated Operating Results Prior Year	97.3	62.8	1.3
Deferred Accumulated Operating Results	0.0	0.0	(0.0)
Accumulated Operating Results End of Year	62.8	1.3	(0.0)

Cost Center	FY 2021		FY 2022		FY 2023	
	Square* Footage	Cost per SF	Square Footage	Cost per SF	Square Footage	Cost per SF
Pentagon	4,570,341		4,570,341		4,570,341	
Real Property Operations		\$ 55.21		\$ 56.51		\$ 65.06
Pentagon Force Protection		\$ 46.10		\$ 46.90		\$ 53.93
Total Cost/SF		\$ 101.31		\$ 103.41		\$ 118.99
Mark Center	1,281,580		1,281,580		1,281,580	
Real Property Operations		\$ 28.84		\$ 28.36		\$ 31.32
Pentagon Force Protection		\$ 12.58		\$ 12.50		\$ 13.24
Total Cost/SF		\$ 41.42		\$ 40.86		\$ 44.56

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

Line #	Item Description	<u>FY 2021</u>		<u>FY 2022</u>		<u>FY 2023</u>	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE Equipment	1	6.5	1	11.2	1	7.4
2	ADPE & Telecommunication	1	4.5	1	4.2	1	6.7
3	Software Development						
4	Minor Construction		0.0		0.0		0.0
	TOTAL	2	10.9	2	15.4	2	14.1

Note: Totals may not add due to rounding

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2023 Budget Estimates						
B. Pentagon Force Protection Agency			C. Equipment/Other						
Element of Cost (\$000)	FY 2021			FY 2022			FY 2023		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE Equipment	1	6.5	6.5	1	10.6	10.6	1	6.6	6.6
TOTAL	1	6.5	6.5	1	10.6	10.6	1	6.6	6.6
FY 2021: \$6.5 million in PFPA 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 Ingration (\$0.4 million)									
FY 2022: \$10.6 million in PFPA initiatives for Sentry and Video Surveillance Program - Video Surveillance Program (\$3.1 + \$0.95 = \$4.05 million) - Sentry Access Control Procurement (\$1.6 million) - Sentry Access Control Support (\$0.6 + \$1.3 = \$1.9 million) - Chemical, Biological, and Radiological Security System Sensor Ingration (\$0.3 million) - PFPA MILCON Equipment (\$1.0 million) - Sentry Personnel Entry Control Point (\$0 + \$0.6 million = \$0.6 million) - Sentry Vehicle Entry Control Point (\$0+ \$0.5 million = \$0.5 million)									
FY 2023: \$6.6 million in PFPA initiatives for Access Control, Force Protection, and Video Surveillance - Video Surveillance Program (\$3.9 million) - Electronic Access Control (\$1.4 million) - PFPA Force Protection Initiative (\$0.1 million) - Vehicle Access Control Point (\$0.1 million) - Personnel Access Control Point (\$0.1 million) - PFPA MILCON Equipment (\$1.0 million)									

Note: The Sentry capital requirements to upgrade security systems no longer exist and have been replaced by specific Access Control, Force Protection and Equipment projects. Minor reduction to Video Surveillance Program funding is due to a slight funding increase for Equipment. The CBR Sensor Integration requirement no longer exists.

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION			A. Fiscal Year (FY) 2023 Budget Estimates						
B. Real Property Operations			C. ADPE & Telecommunications						
Element of Cost (\$000)	FY 2021			FY 2022			FY 2023		
	Quantity	Unit	Total	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE Equipment				1	0.6	0.6	1	0.8	0.8
ADPE and Telecomm	1	4.5	4.5	1	4.2	4.2	1	6.7	6.7
TOTAL	1	4.5	4.5	1	4.8	4.8	2	7.5	7.5
FY 2021: \$4.5 million - Lifecycle ADPE hardware and software									
FY 2022: \$4.6 million -Lifecycle ADPE hardware and software -Non-ADPE equipment: Firefighting apparatus									
FY 2023: \$7.5 million -Lifecycle ADPE hardware and software: Facilities Related Control Systems (FRCS) replacement in the Pentagon -Non-ADPE equipment: Firefighting apparatus									

PENTAGON RESERVATION MAINTENANCE REVOLVING FUND CAPITAL INVESTMENT JUSTIFICATION				A. Fiscal Year (FY) 2022 Budget Estimates					
B. Real Property Operations				C. Construction					
Element of Cost (\$000)	FY 2021			FY 2022			FY 2023		
	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	0	0

	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2021	Non-ADPE	6.5	6.5	(0.0)	Changes for ADPE, Telcom, and Minor construction are from actuals cost for FY20
	ADPE and Telecom	4.5	4.5	(0.0)	
	Minor Construction				
	Total 2021	10.9	10.9	(0.0)	
2022	Non-ADPE	6.6	11.2	4.6	Delay in execution of various phases of Sentry I Project
	ADPE and Telecom	4.6	4.2	(0.4)	
	Minor Construction				
	Total 2022	11.2	15.4	4.2	
2023	Non-ADPE	7.4	7.4	0.0	
	ADPE and Telecom	6.7	6.7	0.0	
	Minor Construction				
	Total 2023	14.1	14.1	0.0	

Note: Totals may not add due to rounding

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**Washington Headquarters Services
Buildings Maintenance Fund
Fiscal Year (FY) 2023
Budget Estimates**



April 2022

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Summary of Operations
WASHINGTON HEADQUARTERS SERVICES
Buildings Maintenance Fund
Fiscal Year 2023 Budget Estimate
April 2022

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 for the operation, maintenance, protection, and repair of 11 federally owned facilities, 35 non-delegated leased facilities, and 25 delegated leased facilities occupied by the Department of Defense (DoD) in the National Capital Region (NCR). The Washington Headquarters Services (WHS) operates the facilities services under delegated authority per the General Services Administration (GSA) and the Department of Homeland Security (DHS). Customers pay a user charge for space and basic building services and customers who request above standard services pay an additional amount for those services.

Through the BMF GSA/DHS Rent Program, the WHS collects from all DoD tenants in leased facilities throughout the NCR and pays monthly GSA rent and DHS security bills. The program improves DoD oversight of tenant payment status and enables the Department to make timely and efficient payments to GSA and DHS.

The BMF finances the select 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. The WHS and the PFPA continue to use the National Defense Business Operations Plan as a guide to validate and optimize current and future service acquisition requirements. The 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

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 monthly 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.

Budget Sub-Activity	Dollars in Millions		
	FY 2021	FY 2022	FY2023
	Operating	Operating	Operating
Real Property Operations	258.1	291.7	266.1
Pentagon Force Protection Agency	32.7	51.8	38.2
Total BMF Obligations	290.8	343.5	304.3

Customer rates are set to recover operating costs budgeted for each year. The FY 2023 request reflects an increase to the standard rates of 1.4% from FY 2022 rates.

Narrative Explanation of changes from FY 2022 to FY 2023

Overall, the FY 2023 President’s Budget request reflects a net decrease of \$39.2 million, which consists of a price increase of \$7.7 million and a program decrease of \$46.9 million. The total program decrease in FY 2023 of \$46.9 million is primarily the budget impact of carrying over \$39.7 million of unobligated balances from FY 2021 to FY 2022. The remaining reduction is a result of a reduction in the size of the leased facilities portfolio (-\$4.3 million) and a general decrease in advisory and assistance services. The overall price increase is the result of an increase in labor costs of \$0.8 million and general purchase inflation of \$6.8 million.

Financial Profile

	(Dollars in Millions)		
	FY 2021	FY 2022	FY 2023
Revenue	295.2	303.3	316.6
Expenses	290.8	343.5	304.3
Net Operating Results (NOR)	4.5	(40.2)	12.3
Disbursements	299.0	371.2	316.4
Transfer Out	0.0	0.0	0.0
Collections	332.4	362.2	316.4
Net Outlays	(33.4)	9.0	(0.1)
Beginning Cash Balance	13.0	46.4	37.4
Ending Cash Balance	46.4	37.4	37.5
Change in Cash Balance	33.4	-9.0	0.1

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 DoD personnel, assets and facilities in leased space within the NCR.

Cash Requirement Projection

BMF monthly cash range estimates were determined using Comptroller established basic methodology, adjusted for operational facts associated with normal execution of the BMF.

Rate of Disbursement. Anticipated disbursements during the budget year were calculated by applying historical disbursement rates for the base year of 2023 plus five previous years (i.e., in FY 2023, BMF anticipates disbursing funds that were obligated in FY 2018 – FY 2023). The total of that anticipated annual disbursement amount is divided by the 12 monthly collection cycles to obtain an estimated monthly rate of disbursement.

Range of Operation. The lower level of the operational range for cash for 2023 is determined by adding the amount needed to fund reserves with the amount needed for risk mitigation, which results in the lower limit for the operational range for FY 2023 of \$19.1 million. The upper estimated limit of the operational range is the lower limit plus two months of anticipated disbursements. The month end BMF cash during FY 2023 should stay between \$19.1 million and \$71.8 million.

Risk Mitigation. The primary risk experienced by the BMF is typically related to delays in receiving orders at the start of the fiscal year. Normal start up delays for our customers to receive appropriations and issue funded orders have been exacerbated by the new normal of experiencing continuing resolutions every year. Other than the significant outlay to GSA and DHS, monthly disbursements are mostly for payroll and contract related costs. BMF passes through the GSA and DHS payments on a monthly basis, or as soon as collections are made, so this amount is not included in the amount for risk mitigation. The amount set aside in the FY 2023 budget exhibits for risk mitigation is the monthly anticipated disbursements, net of the monthly amount passed through to GSA and DHS, divided by 2.

Reserves. Cash should already be in the bank to fund confirmed unpaid obligations, which are typically funded through rent. Rent from prior years has generally already been collected and should already be in the bank to fund obligations, so a reserve was identified for unliquidated obligations. Certain obligations reported on financial statements as unpaid are known to have been received by the vendor, so adjustment (where appropriate) has been made in anticipation of the posting of the disbursement. In FY2023, no reserve was included for the funding of carry forward of unobligated balances.

The cash phasing report in the Fund 13 applies historical monthly collection and disbursement rates and adjustments which reflect the typical pace of operations of the BMF. In FY 2014 WHS moved to an enterprise accounting system and was not taken off a separate monthly TBO uncleared process. The error was identified in FY 2021. The adjustments generated in that uncleared process during FY 2017 – FY 2021 needed to be reversed (corrections had previously been made for FY 2014 – 2016). As noted in the Fund 13, FY 2021 and FY 2022 included Fund Balance with Treasury (FBWT) collection corrections of adjustments which occurred from FY 2017 – FY 2021. At the time of preparation of the FY 2023 budget, BMF anticipates one more correction which will increase our Treasury account by \$45 million. The cash increase resulting from these corrections is needed to be able to appropriately fund the obligations and risks of the BMF. Should the final adjustment not occur, the WHS may need to include a surcharge in a future budget cycle. The calculations of the lower range limit were decreased from the PB 2022 budget cycle to the PB 2023 budget cycle to reflect lower cash balances due to corrections to the FBWT BMF cash collections not including corrections for orders funded by now-cancelled years. Final impact to the fund is still being assessed. Additionally, monthly disbursements have decreased from FY 2022 budget due to decreases in DoD leased space.

The PB 2022 Cash Requirement updated the FY 2021 projection to include in the reserves the full amount of the unpaid obligations per the BMF general ledger reduced by obligations for GSA and DHS since those would be fully paid as soon as they were collected and therefore no reserve was needed. In the FY 2023 budget cycle, the reserve for unpaid obligations was lowered by half

to make allowance for the impact of the BMF not receiving back all of the collections previously removed and potentially needing to decrease its future obligations to account for the loss. The Cash Requirements for the FY 2022 and FY 2023 also reverted to formulation used in previous years where the Risk was reduced by the amount of the monthly anticipated outlay to GSA and DHS in order to align cash requirements to actual projected cash levels as shown on the Cash Management Plan.

Staffing

	Full Time Equivalents (FTE)		
	FY 2021	FY 2022	FY 2023
Real Property Operations - RPO	47	48	48
Pentagon Force Protection Agency - PFPA	69	88	88
Total	116	136	136

Narrative Explanation of Staffing Changes:

The workforce requirements remain steady in the BMF.

FY 2021 Estimate in President's Budget (as adjusted)	290.76
FY 2022 Estimate in President's Budget (as requested)	343.48
Pricing Adjustments:	7.67
Annualization of pay raises	0.14
Price Growth Payroll	0.74
General Purchase Inflation	6.79
Program Changes (major items):	(46.90)
<u>Compensation and Benefits - Civilian Average Annual Compensation:</u> Each year, civilian compensation rates are developed based on detailed execution and cost factor analysis. These rates are created and implemented with the paramount purpose of accurately forecasting cost estimates for the civilian workforce. The average annual rate (AAR) change is the result of these rate changes combined with the fluctuations in composition of civilian pay types.	(0.29)
<u>Compensation and Benefits:</u> Decrease reflects one less compensable day in FY 2023. The number of compensable days for FY 2022 is 261 days (2,088 hours), and for FY 2023 is 260 days (2,080 hours).	(0.10)
Facilities Services: Decrease reflects a reduction in maintenance/repair, professional support, and facility maintenance requirements.	(4.50)
Facilities Services: Decrease reflects the impact of carrying prior year unobligated balances into FY 2022.	(39.70)
Increase in utilities costs	0.01
Decrease due to reduction in lease facilities portfolio	(2.32)
FY 2023 Estimate	304.25

	FY 2021	FY 2022	FY 2023
1. New Orders			
a. Orders from DoD Components			
Department of the Air Force	5.1	5.2	5.4
Department of the Army	45.5	45.3	46.3
Department of the Navy	18.9	20.3	20.2
Subtotal Military Departments	69.5	70.8	71.9
Defense-Wide			
US Court of Appeals for the Armed Forces	3.9	2.8	2.8
COWARDIN	0.3	0.4	0.5
Defense Advanced Research Project Agency	20.5	21.9	22.0
Defense Contract Audit Agency	1.3	1.7	1.6
Defense Contract Management Agency	2.3	2.3	2.4
Defense Intelligence Agency	30.4	30.5	33.0
Defense Information Systems Agency	14.7	15.6	19.6
Defense Logistics Agency	4.4	4.7	3.1
Defense Counterintelligence Security Agency	0.0	6.5	4.6
Defense Legal Services Activity	1.7	1.7	1.7
Defense Media Activity	0.9	0.9	0.7
Defense Missing Persons Organization	1.3	2.8	1.5
DoD Classified Program	1.2	1.2	1.2

Defense-Wide (Cont.)	FY 2021	FY 2022	FY 2023
Dept of Defense Inspector General	0.0	0.3	0.0
Dept of Hearings and Appeals	2.8	2.9	3.0
Defense Security Cooperation Agency	4.5	4.1	5.1
Defense Security Service	4.0	0.0	0.0
Defense Threat Reduction Agency	8.1	7.9	6.6
Joint Staff	0.1	0.6	0.1
Joint Strike Fighter	9.9	10.7	8.6
Missile Defense Agency	1.1	0.6	0.6
Office of Economic Adjustment	0.7	0.7	0.8
Defense Technology Security Administration (DTSA)	0.0	0.0	0.3
Office of Military Commissions	4.4	4.3	4.7
Pentagon Force Protection Agency	4.3	4.5	4.9
Defense Health Agency	52.2	51.0	53.9
Strategic Capabilities Office	0.5	1.1	0.0
Transportation Command	0.1	0.1	0.1
White House Management Office	1.5	0.4	1.5
Washington Headquarters Services and Office of the Secretary of Defense	13.7	22.7	22.7
Cross Functional Teams	0.0	1.0	1.1
Commissions	2.6	1.4	0.9
Def Miroelectronics CFT (DMCFT)	0.1	0.0	0.3
5G Cross Functional Team	0.0	0.0	0.2
Subtotal Defense-Wide	193.5	207.2	209.9

Defense-Wide (Cont.)	FY 2021	FY 2022	FY 2023
b. Total Standard Level Rent Orders	263.0	277.998	281.841
c. Above Standard Level Service Orders			
Building Services and Space Adjustments	25.1	21.2	30.4
Force Protection	7.1	4.1	4.3
Subtotal Above Standard Services	32.2	25.3	34.7
Total New Orders	295.2	303.3	316.5
Carry-In Orders	31.5	41.9	30.6
Total Gross Orders	326.7	345.2	347.1

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Revenue			
Standard level	263.0	278.0	281.8
Above standard level	32.2	25.3	34.7
Total Revenue	295.2	303.3	316.5
 Standard Level Operating Expenses:			
 Real Property Operations	255.9	263.9	246.4
Compensation and Benefits	7.5	8.3	8.5
GSA/DHS Rent Program	217.2	250.5	232.6
Cleaning/Trash/General	0.0	0.2	0.3
Utilities and Fuel	3.9	0.2	0.2
Maintenance	0.6	0.2	0.1
Other Building Services	17.5	3.9	4.1
Administration	3.6	0.6	0.6
Repairs (over \$10,000)	0.0	0.0	0.0
Travel and Transportation of Personnel	0.1	0.0	0.0
Information Technology	5.4	0.0	0.0
Defense Post Office	0.1	0.0	0.0
 Pentagon Force Protection Agency	32.6	42.3	34.6
Compensation and Benefits	13.3	8.8	9.0
Deputy Director	0.0	0.0	0.0
GSA/DHS Rent Program	0.0	0.0	0.0
Law Enforcement	16.2	14.5	16.7
Mission Integration	0.3	0.4	0.4
Security Integration & Technology	2.8	18.5	8.5
Threat Management	0.0	0.0	0.0
 Subtotal Standard Level Expenses	288.6	306.2	281.0

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Above Standard Reimbursable Expenses:			
Real Property Operations	2.1	27.8	19.6
Projects and Services	2.1	27.8	19.6
Pentagon Force Protection Agency	0.1	9.4	3.6
Compensation and Benefits	0.0	2.8	2.9
Advisory and Assistance Services	0.1	6.7	0.8
Subtotal Above Standard Level Expenses	2.2	37.3	23.248
Total Operating Expenses	290.757	343.484	304.276
Recovery of Prior Year Balances	0.0	0.0	0.0
Net Operating Result	4.5	(40.2)	12.272
Accumulating Operating Results Prior Year	23.4	27.9	(12.3)
Deferred Accumulated Operating Results	0.0	0.0	0.0
Accumulated Operating Results End of Year	27.9	(12.3)	0.0

Note: Totals may not add due to rounding.

Cost Center	FY 2021		FY 2022		FY 2023	
	Square* Footage	Cost per SF	Square Footage	Cost per SF	Square Footage	Cost per SF
US Court of Appeals for the Armed Forces	26,008		26,009		26,009	
Real Property Operations		\$ 100.19		\$ 100.77		\$ 102.09
Pentagon Force Protection Security Services**		\$ 13.20		\$ 7.26		\$ 5.05
		\$ 112.31		\$ 106.27		\$ 110.69
Total Cost/SF		\$ 225.70		\$ 214.30		\$ 217.83

* 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 - Strategic Materials National Defense Stockpile Transaction Fund



**Fiscal Year (FY) 2023 Budget
Estimates April 2022**

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DEFENSE LOGISTICS AGENCY
National Defense Stockpile Transaction Fund
Fiscal Year (FY) 2023 President's Budget
April 2022

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 executing strategies such as research and development, acquisition of new materials to upgrade the NDS material inventory, qualification of domestic firms to expand supplier base and continued expansion of material recycling programs.

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 deposited to the NDS Transaction Fund (NDSTF), 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 excess to NDS needs are insufficient to fully finance program costs such as general operations, material acquisitions and environmental liabilities. Accordingly, to help the recapitalization of the NDSTF, the Department approved FY 2023 Direct Funding totaling \$253.5 million as the President's Budget request for FY 2023. The Departmental Resource Management Decision RF-14195 approved \$200 million and the Program Decision Memorandum II approved \$53.5 million. From these resources, \$40 million would be used towards operations and \$213.5 million to acquire and stockpile high priority critical materials. Current obligation projections are \$93.5 for FY 2023 with the remaining \$160 million planned for execution in FY 2024 through FY 2027. In addition, Program Decision Memorandum II approved \$26.7 million for acquisitions in FY 2024 through FY 2027.

Additionally, the Consolidated Appropriation Act, 2022, Title VII, Section 8035 provides \$125 million in Direct funding in FY 2022 for acquisitions with funds availability through FY 2024. DLA continues to work with the Department to mitigate long-term financial risks impacting mission capabilities.

Sales Program:

The Sales Program offers quantities of select strategic and critical materials for sale that have been deemed excess to current NDS requirement levels. The Stockpiling Act provides for the creation and operation of a competitive public sales program of excess stocks. These excess stocks are sold to generate revenue that in turn sustains operational expenditures and new material acquisitions. Sales program proceeds are deposited to the NDSTF revolving fund and remain NDS Program resources until expended. The projection below includes \$21.3 million increase for FY 2022 due to strong market conditions.

Collections	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Dollars in Millions							
Principal	83.1	80.3	58.7	60.9	55.0	39.9	23.0
Total	\$83.1	\$80.3	\$58.7	\$60.9	\$55.0	\$39.9	\$23.0

Budget Highlights

Direct Program Costs	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Dollars in Millions							
Non-Labor			40.0				
Acquisitions		125.0	53.5	47.6	47.6	45.7	45.7
Total		125.0	\$93.5	\$47.6	\$47.6	\$45.7	\$45.7

Reimbursable Program	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Costs							
Dollars in Millions							
Labor	8.5	9.7	10.5	10.7	11.0	11.2	11.4
Non-Labor	26.5	41.8	46.6	38.8	40.2	40.1	40.9
Acquisitions	9.1	42.8	30.9	31.2	17.9	17.9	17.9
Environmental	4.9	1.8	1.8	3.1	4.6	3.1	1.8
Total	\$49.0	\$96.1	\$89.8	\$83.8	\$73.7	\$72.3	\$72.0

Acquisitions

In FY 2021, DLA-SM planned to award up to \$39.4 million in acquisition contracts for strategic and critical materials, but due to limited suppliers, SM was able to source only \$9.1 million. In FY 2022, \$42.8 million have been budgeted for materials. For FY 2023 thru FY 2027, \$71.2 million is the combined direct and reimbursable yearly budget average to further acquire needed strategic and critical materials. The acquisition plan for the \$125 million provided by the Consolidated Appropriation Act, 2022, Title VII, Section 8035 is in development. Acquisitions for materials with limited supply sources may be delayed if international or domestic conditions further restrict availability. If delays occur, flexibilities in accordance with NDS Program authorities and the NDSTF revolving fund are utilized.

Acquisitions program strategies includes funding for costs to recycle critical materials from surplus Federal assets and create domestic sources of supply to help reduce or eliminate the need 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 to inflation. The 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 62, however, DLA-SM continues to assess program requirements with intent to further consolidate functions through attrition.

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, analysis and development projects support reconstitution and expansion of stockpiling capabilities, through (1) laboratory-based scientific research and analysis, (2) expanded processes to model material supply chains downstream from mines to finished platforms, (3) development of effective risk mitigation strategies and (4) development of additional data collection and evaluation methods from industry and academia.

Material Handling and Testing Programs: The Material Handling and Testing Programs support care and quality control of stockpile materials including fees for vendor managed storage and handling/testing requirements for stored materials, acquired materials, and material upgrades. Major program cost drivers are: (1) long term mercury repackaging/storage operations, (2) existing and newly acquired materials including strategic energetics reserves, (3) reclamation of surplus materials from Federal Agencies suitable for transfer to or required for the NDS and (4) storage of semi-processed NDS materials at vendor locations to expedite finished processing in the event these materials are required in a contingency.

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 the day-to-day depot mission, which includes audit, material handling and testing support, security, operations, maintenance, janitorial services, fuel, and equipment.

Environmental: Normal compliance requirements to sustain an environmental compliance program and environmental management system, perform compliance audits, and pay fees are approximately \$400-600 thousand per year and are expected to remain relatively constant through FY 2027. The Somerville project is a multimillion-dollar project to remediate the soil and groundwater contamination at the site and will be active throughout the FYDP. Soil remediation is nearing completion. However, groundwater remediation, wetlands restoration, permits, inspections, and reports will be ongoing.

Standard requirements for pollution prevention and conservation range from \$3-22 thousand and are expected to remain relatively constant through FY 2027. Other costs include annual renewal and maintenance of Radiation Safety Program, the NRC license at Scotia, NY, and maintenance of the Voluntary Protection Program at all three staffed depots - Scotia, Hammond, and Hawthorne. Larger increases to the budget are due to additional costs for environmental remediation at Marietta, PA and Pt. Pleasant, WV, and potential for substantial NEPA review and assessment in future years. Current plans call for remediation at Pt. Pleasant to begin with remedial investigation in FY 2024 (subject to change). Also, potential costs to complete environmental assessments or impact statements may arise. These could be required for future projects under consideration such as pilot or full-scale industrial processing to convert manganese ore to electrolytic manganese at Wenden, or the acquisition of energetics or other materials, dependent on the specifics of the acquisition.

Defense Logistics Agency
National Defense Stockpile Transaction Fund
DLA Strategic Materials
Statement of Financial Condition
Fiscal Year (FY) 2023 President's Budget
April 2022
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	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
ASSETS:							
Selected Assets:							
Cash (EOY)	313.6	297.7	266.6	243.6	224.9	192.5	143.5
Accounts Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	809.3	917.1	942.9	960.8	971.3	994.9	1,035.6
Other Asset Accounts:	0.8	0.6	0.3	0.1	-	-	-
Advances and Prepayments	0.9	-	-	-	-	-	-
TOTAL ASSETS	1,124.7	1,215.5	1,209.8	1,204.5	1,196.2	1,187.5	1,179.1
LIABILITIES							
Selected Liabilities							
Accounts Payable	1.1	2.5	4.0	4.0	4.0	4.0	4.0
Advances Received	-	-	-	-	-	-	-
Environmental Clean-up Liability	9.8	6.0	5.0	4.8	4.7	4.2	4.2
Other Liabilities	2.7	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL LIABILITIES	13.6	11.5	12.0	11.8	11.7	11.2	11.2
GOVERNMENT EQUITY							
Cumulative Results of Operations	1,111.1	1,203.9	1,197.8	1,192.7	1,184.5	1,176.3	1,167.9
TOTAL NET POSITION	1,111.1	1,203.9	1,197.8	1,192.7	1,184.5	1,176.3	1,167.9
TOTAL LIABILITIES AND EQUITY	1,124.7	1,215.5	1,209.8	1,204.5	1,196.2	1,187.5	1,179.1

Defense Logistics Agency
National Defense Stockpile Transaction Fund
DLA Strategic Materials
Stockpile Financial Status Report
Fiscal Year (FY) 2023 President's Budget
April 2022
(Dollars in Millions)

	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Treasury Cash Balance, End of Prior Year	276.7	310.8	294.9	263.8	240.8	222.1	189.7
Direct Program							
RMD			40.0	40.0	40.0	40.0	40.0
PDM II			53.5	7.6	7.6	5.7	5.7
Consolidated Appropriations Act, 2022 S		125.0					
Disbursements							
Non-Labor			40.0				
Other Program Costs		125.0	53.5	47.6	47.6	45.7	45.7
Reimbursable Program							
Collections	83.1	80.3	58.7	60.9	55.0	39.9	23.0
Disbursements	<u>49.0</u>	<u>96.1</u>	<u>89.8</u>	<u>83.8</u>	<u>73.7</u>	<u>72.3</u>	<u>72.0</u>
Labor	8.5	9.7	10.5	10.7	11.0	11.2	11.4
Non-Labor	31.4	43.6	48.4	41.9	44.9	43.3	42.7
Other Program Costs	9.1	42.8	30.9	31.2	17.9	17.9	17.9
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 Yea.	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	310.8	294.9	263.8	240.8	222.1	189.7	140.7
Selected Liabilities							
Accounts Payable	1.1	2.5	4.0	4.0	4.0	4.0	4.0
Advances Received	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Environmental Clean-up Liabilit:	9.8	2.0	4.0	2.0	2.0	2.0	2.0
Other Liabilities	2.7	3.0	3.0	3.0	3.0	3.0	3.0
Undelivered Orders	29.9	40.0	40.0	40.0	40.0	40.0	40.0
Other Contingencies (Sequester)	<u>-1.8</u>	<u>6.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Totals	42.6	54.2	51.0	49.0	49.0	49.0	49.0
Estimated Available Cash	268.2	240.7	212.8	191.8	173.1	140.7	91.7

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Defense Counterintelligence and Security Agency



Fiscal Year (FY) 2023 Budget Estimate Submission Working Capital Fund (WCF)

April 2022

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The Defense Counterintelligence and Security Agency (DCSA) Background Investigation (BI) mission is to execute the functions of the investigative service provider (ISP) for the majority of the federal government, helping to ensure the trustworthiness and integrity of the military, federal and contract workforce government-wide, by delivering national security and suitability background investigations. BI accomplishes end-to-end BI case processing, which includes fieldwork, record reviews, and quality assurance. Combined with customer/stakeholder engagements, internal policy and procedural guidance, on-going key performance analysis, and integration work, DCSA provides a full personnel vetting service for its 100-plus federal agency customers. These BI operational activities are underpinned by support services provided by other DCSA offices, other Department of Defense (DoD) activities, and the Office of Personnel Management (OPM).

On October 1, 2019, the DoD, pursuant to section 2208 of Title 10, United States Code, established the DCSA Working Capital Fund (WCF) to finance the personnel BI mission

Fieldwork for background investigations is accomplished by both DCSA federal and contract investigators. The investigations are supported by a team that requests, processes, conducts, analyzes, and reports the results of over 25 million annual investigative record reviews from federal, state, local, and vendor data repositories that support the individual background investigations. Investigative products are reviewed by a quality assurance team to ensure conformance with Federal Investigative Standards (FIS) in compliance with appropriate laws, regulations, executive orders, adjudicative guidelines, and policies. Each product is evaluated to determine its sufficiency for delivery to DCSA customers for adjudication, reopened for missing items, scheduled for additional investigative work, or sent to the Counterintelligence and Threat Coordination Activity for evaluation and potential referral to outside criminal and intelligence agencies for further action. In FY 2021, DCSA BI executed and delivered over 2.0 million cases for its customers.

BI works with over 140 Federal department and agency customers, cleared industry partners, state, local, and tribal law enforcement agencies, regularly ensuring products and services meet customer requirements and the current threat environment. In addition, BI has a dedicated team working to improve the accessibility of criminal history record information that resides in state, local, and tribal repositories.

In support of the BI end-to-end ISP role, a team performs regular mission coordination, operational policy and procedural guidance, and the collection and analysis of performance metrics. This work aligns with the national policy objectives of the FIS, the new Trusted Workforce (TW) 2.0, continued accountability internally and externally to meet mission goals, regular efforts to increase the effectiveness and efficiency of BI products, and effective coordination across the mission.

DCSA continues to offer Expedited Screening Protocol (ESP) services to non-DoD agencies. ESP provides a centralized standard process for the screening and vetting of covered individuals with foreign risk who required access to government systems, facilities,

personnel, or information, including access to classified information. ESP optimizes intelligence data sources, other classified and unclassified U.S. Government data systems and human analytics to provide multi-point identity detection of potential foreign risks to support improved actions in the background investigation.

Budget and Pricing Information

The DCSA personnel vetting mission is provided on a fee-for-service that provides personnel background investigations using a full cost recovery businesslike model with the overall goal to break even over time.

The FY 2023 budget submission assumes a cost decrease from FY 2022 based on increased efficiencies and transition of incoming workload executed following FIS standards to TW standards.

DCSA offers its federal customers a variety of investigative products and services to meet specific customer demands. DCSA has achieved a steady state relative to its background investigation inventory. The FY 2022 rate reduction was primarily established as part of an overall DCSA plan to right-size its cash reserves and execute an improved cash management plan in accordance with the DoD Financial Management Regulation. The FY 2023 reduction in price continues DCSA's cash management efforts, resulting in negative Net Operating Results of \$77.9M. DCSA projects solid financial solvency will continue based on its commitment to a focused cash management plan combined with increased IT and other process efficiencies. From FY 2022 to FY 2023, the OP-32 represents a 0% Price Change to Customer.

Despite price reductions, DCSA anticipates to remain within the operating range for cash. DCSA's operating range is based on several risk mitigation factors, potential required reserves, and monthly disbursement rates. The lower range of operations is primarily based on risk mitigation associated with:

- Sustaining the legacy information technology (IT) network, which OPM transferred to DCSA on 1 October 2020, while simultaneously developing new IT systems and services;
- Uncertainties regarding investments for the relocation from the Boyers site and minor construction related to the consolidation of field offices;
- Supporting and funding the transition of DCSA programs (Vetting Risk Operations, National Background Investigation Services, Adjudications and other potential programs) to the WCF;
- Unforeseen workload demand resulting in unanticipated investigative field contract costs; and
- Pricing risks related to the new TW Continuous Vetting (CV) service, TW 1.5 that DCSA will start offering in FY 2023.

The lower range of operations also includes reserve funding for unliquidated liabilities associated with advance billing. The upper range of operations includes up to six to eight months of disbursements. This is based on the challenges associated with receiving and

processing funding of orders from customers throughout the fiscal year. In addition, the upper range also considers collection impacts due to continuing resolutions.

The tables below represents a summary of key performance indicators:

	(\$M)		
	FY 2021	FY 2022	FY 2023
Net Operating Result (NOR) Summary:			
Revenue	1,208.8	1,243.5	1,216.3
Expenses	1,264.0	1,346.1	1,294.2
NOR	(55.2)	(102.6)	(77.9)
Accumulated Operating Result (AOR) Summary:			
Prior Year AOR	(326.2)	143.7	41.1
NOR	(55.2)	(102.6)	(77.9)
Adjustment Affecting the NOR	525.1	-	-
AOR Prior to Adjustments	143.7	41.1	(36.9)
Non-Recoverable Adjustment Impacting AOR	-	-	36.9
AOR	143.7	41.1	-
Cash Balance Summary:			
Disbursements	1,135.3	1,240.7	1,221.7
Collections	1,208.8	1,179.8	1,186.1
Transfer Out	-	-	-
Transfer In	58.2	-	-
Appropriation	(100.0)	(30.0)	-
Net Outlays	31.7	(91.0)	(35.7)
Beginning Cash Balance	1,539.9	1,571.6	1,480.7
Net Outlays	31.7	(91.0)	(35.7)
Ending Cash Balance	1,571.6	1,480.7	1,445.0
Manpower Summary:			
Civilian Work Years (FTE)	2,851	3,315	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) 2023 Budget Estimates
April 2022
(\$ in Millions)

	<u>Cost</u>
FY 21 Estimated Actual:	1263.9
FY 21 Estimate in President's Budget	1263.9
Estimated Impact in FY 21 of Actual	
FY 21 Experience	
Civilian Personnel	360.9
Travel of Persons	20.0
Material & Supplies	2.5
Commercial Equipment Purchases	7.4
Other Purchased Services from Revolving Fund	0.0
Transportation of things	2.1
Printing and Reproduction	0.6
Advisory and Assistance Services	845.5
Rent, Communications, Utilities, and Misc	24.9
Other Purchased Services	0.0
Capital Investment Recovery	0.0
Pricing Adjustments:	
Annualization of FY 22 Pay Raise	0.0
FY 22 Pay Raise	0.0
General Purpose Inflation	29.5
Program Changes:	
Civilian Personnel	54.6
Travel of Persons	(0.4)
Material & Supplies	44.3
Commercial Equipment Purchases	(1.0)
Other Purchased Services from Revolving Fund	4.2
Transportation of things	0.1
Printing and Reproduction	0.1
Advisory and Assistance Services	(94.6)
Rent, Communications, Utilities, and Misc	45.4
Other Purchased Services	0.0
Capital Investment Recovery	0.0
FY 22 Current Estimate*	1346.1
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.0
FY 23 Pay Raise	0.0
General Purpose Inflation	38.8
Program Changes:	
Civilian Personnel	8.7
Travel of Persons	(3.4)
Material & Supplies	(46.2)
Commercial Equipment Purchases	2.4
Other Purchased Services from Revolving Fund	0.0
Transportation of things	0.0
Printing and Reproduction	0.0
Advisory and Assistance Services	(52.1)
Rent, Communications, Utilities, and Misc	(0.1)
Other Purchased Services	0.0
Capital Investment Recovery	0.0
FY 23 Current Estimate	1294.2

DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY
Working Capital Fund
Background Investigation Services
Source of New Orders and Revenue
Fiscal Year (FY) 2023 Budget Estimates
April 2022
(\$ in Millions)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
1. New Orders			
a. Orders from DoD Components	859.2	881.3	866.5
Department of the Navy	201.2	206.4	197.4
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	224.3	230.1	220.1
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
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	162.9	167.1	159.9
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	270.8	277.7	289.0
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	0.0	0.0
b. Orders from other Fund Activity Groups	0.0	0.0	0.0
Navy	0.0	0.0	0.0
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	859.2	881.3	866.5
d. Other Orders	349.6	362.3	349.8
Other Federal Agencies	349.5	362.2	349.7
Non-Federal Agencies and Other	0.1	0.2	0.1
Total New Orders	1,208.8	1,243.6	1,216.3
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	1,208.8	1,243.6	1,216.3
4. Funded Carry-Over	0.0	0.0	0.0
5. Total Gross Sales	1,208.8	1,243.6	1,216.3

DEFENSE COUNTERINTELLIGENCE AND SECURITY AGENCY
Working Capital Fund
Background Investigation Services
Revenue and Expenses
Fiscal Year (FY) 2023 Budget Estimates
April 2022
 (\$ in Millions)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Revenue			
Gross Sales	1,208.8	1,243.5	1,216.3
Operations	1,208.8	1,243.5	1,216.3
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	1,208.8	1,243.5	1,216.3
Costs			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages			
Civilian Personnel Compensation & Benefits	360.9	425.2	453.5
Travel & Transportation of Personnel	20.0	20.0	17.0
Materials & Supplies (For Internal Operations)	2.5	46.9	1.7
Equipment	7.4	6.4	8.9
Other Purchases from Revolving Funds	0.0	4.2	4.2
Transportation of Things	2.1	2.2	2.2
Capital Investment Recovery	0.0	0.0	0.0
Printing and Reproduction	0.6	0.7	0.7
Advisory and Assistance Services	845.0	768.8	732.9
Rent, Communications, Utilities, & Misc. Charges	25.5	71.7	73.1
Other Purchased Services	0.0	0.0	0.0
Total Expenses	1,264.0	1,346.1	1,294.2
Operating Result	(55.2)	(102.6)	(77.9)
Adjustments affecting NOR (specify) ⁽¹⁾	525.1	0.0	0.0
Net Operating Result	469.9	(102.6)	(77.9)
Prior Year AOR	(326.2)	143.7	41.1
Accumulated Operating Result	143.7	41.1	(36.9)
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	36.9
Accumulated Operating Results for Budget Purposes	143.7	41.1	0.0

⁽¹⁾Adjustment made to match the FY21 AOR from the 1307 Report as of 30 September 2021

NOTE: DCSA projects a negative \$36.9M AOR in FY 2023 due to a price reduction in FY 2022 and FY 2023 compared to the FY 2022 President's Budget. In an effort to manage the cash balance, this amount will not be recovered.