

CHAPTER 9
DEFENSE BUSINESS OPERATIONS FUND
BUSINESS AREA ANALYSIS

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CHAPTER 9

DEFENSE BUSINESS OPERATIONS FUND
BUSINESS AREA ANALYSIS

0901 GENERAL

090101 Purpose

This chapter highlights the policies and justification procedures underlying budget formulation for the Defense Business Operations Fund (DBOF).

090102 Background

A. Revolving funds were established to satisfy recurring Department of Defense requirements using a businesslike buyer-and-seller approach. The generators of requirements justify the need for funds to the Congress, but are not always the organizations that execute the requirement. In some instances, the “customers” or “buyers” contract with DoD “provider” or “seller” organizations that have expertise in the service or product required, and operate under business financial management principles. Unlike profit-oriented commercial businesses, the revolving funds goal is to break even over the long term. Revolving fund selling prices established in the budget are *stabilized* or fixed during execution to protect customers from unforeseen fluctuations that would impact on their ability to execute the programs approved by the Congress.

B. The basic tenet of the DBOF revolving fund structure is to create a customer-provider relationship between military operating units and support organizations. This relationship is designed to make managers of support organizations funded through DBOF and decision makers at all levels more concerned with the costs of goods and services. Requiring the operating forces to pay for support they receive provides increased assurance that services supplied and paid for are actually needed.

Prior to the establishment of an activity under DBOF, a charter which sets forth the scope of the business area shall be prepared and signed by the Secretary or Assistant Secretary of the Military Department or by the Director of a Defense Agency, as applicable, and submitted to the Comptroller of the Department of Defense for approval. Four criteria are used in evaluating potential business areas for inclusion into the Fund. The four criteria are:

identification of outputs that relate to products or services *provided by the business to customers*; establishment of a cost accounting system to collect costs of *producing outputs*; identification of customers *so that resources can be aligned with the requirements*; and *evaluation of buyer-seller advantages and disadvantages to include assessment of the customers’ ability to influence cost by changing demand.*

C. Revolving funds have been in use by the Military Components for a considerable period of time. Modern day revolving fund authority is provided by the National Security Act of 1947, as amended (Title 10 U.S.C., Section 2208). *The FY 1996 DoD Authorization Act (Public Law 104-106) codified DBOF in Chapter 131 of Title 10, U.S.C.*

D. Revolving fund activities evolved from two distinct categories. Stock Funds dealt with procuring material in volume from commercial sources and holding an inventory. Subsequently, activities sold to the authorized customer who needed the item in order to achieve weapon systems readiness or provide required personnel support items. The second type, Industrial Funds, were used by activities to provide industrial and commercial goods and services such as depot maintenance, transportation, and research and development. Both types of revolving funds were financed primarily by reimbursements from customers’ appropriated accounts.

E. The Department of Defense expanded the use of businesslike financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. Building on revolving fund principles, cost and performance are linked together and the Fund’s managers are expected to operate within cost goals established in operating and capital budgets.

F. The Fund combines existing commercial or business operations that were previously managed as individual revolving funds into a single revolving, or business management, fund. *The Fund Treasury account has five*

subaccounts (one for each Military Department and Defense-wide).

G. Prior to FY 1992, industrially funded activities did not receive funding documents. All funding authority was provided through customer orders. With the implementation of the Fund, annual operating budgets that provide official management cost goals are issued to the Services and Agencies for each business area.

H. For businesses within the Fund, high level unit cost goals and fixed prices make it possible to measure changes in cost based on financial operating results. This cost-oriented approach encourages management to look at all costs, including overhead, in terms of the output of the business and provides visibility of cost drivers.

090103 Policy

These policy statements are provided for budget formulation *and are to be used as the basis for preparing Budget Estimate Submissions (BES)*.

A. Cash Management

The cash management policy is to maintain the minimum cash balance necessary to meet both operational requirements and to meet disbursement requirements in support of the capital program. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to generate cash is dependent on setting rates to recover full costs to include prior year losses; accurately projecting work load; and meeting established operational goals.

The responsibility for DBOF cash management was returned to the Components and Agencies effective February 1, 1995, to provide business area managers additional control of and accountability for their operations, since cash management is an integral part of operational and cost management. Since cash management has been decentralized, there is no longer a requirement for the Defense Finance and Accounting Service (DFAS) to implement automatic advance billing procedures when overall Departmental cash levels fall below \$1 billion, and it has been determined that the cash shortage was not caused by an

anomaly. Volume 11B will be updated to reflect this change in policy.

The major points included in the policy are:

- Effective cash management is directly dependent on the availability of accurate and timely data on cash levels and operational results.

- The present criteria are for cash levels to be maintained at 7 to 10 days of operational cost and cash adequate to meet 4 to 6 months of capital disbursements.

- Cash plans will be developed to facilitate the cash management process. Plans consider collections, disbursements, appropriations, and other cash transactions based on Component estimates. This annual plan will be initially developed during the budget process and will be an integral part of the budget document.

- In addition, a monthly phasing *analysis of collections and disbursements as part of the cash plan* will be required to monitor execution. This monthly execution review will lead to increased management attention in reducing costs, emphasizing timely billing, collecting revenue, and disbursing.

- *The operational control of actions taken by each DBOF activity, which result in cash disbursements and collections, always has and continues to reside with the Components and Agencies. Decentralizing cash management was done to provide the Components' and Agencies' managers additional control of and responsibility for their operations, as cash management is an integral part of operational management.* The policy requires that each level of management within the Department participate in the execution of the policy in order to insure results are achieved to improve the management of DBOF cash.

B. Operating Budget

The operating budget contains the annual operating costs of an activity or Component, including depreciation or amortization expenses. To minimize costs within business areas, all goods and services should be purchased, whenever possible, from the source

that provides them at least cost, unless there are some other considerations such as mobilization or readiness that prohibit this flexibility. Of course, the performance and quality of the source must be considered as well. When comparing costs of organic or commercial sources, both direct and indirect costs are to be included in the evaluation.

1. Depreciation expenses *shall be calculated and accumulated using the straight-line method based on the capitalized amount less residual value, and divided equally among accounting periods during the asset's useful life based on established depreciation schedules.* The depreciation schedules to be used for Fund activities areas follows: for equipment purchases other than ADPE, 10 years; for general purpose vehicles, ADPE, and telecommunications hardware and software, 5 years; and for minor construction, 20 years.

a. *For equipment transferred into a business area that has preexisting depreciation schedules, depreciation will be based on the remaining book value plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use.*

b. *For capital assets that are transferred to a business area that have no preexisting depreciation schedules, depreciation will be calculated based on the net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use*

c. Depreciation of capital equipment will be fully reflected in the operating costs and rates of Fund businesses.

C. Capital Investments

1. With the exception of major construction and items listed in paragraph D.1, acquisition of all capital assets for use by businesses within the Fund are financed through the Fund. The Capital budget shall not be used to establish a new or to expand organic capability except as specifically approved in a capital budget. Capital assets include depreciable property, plant, equipment, and software developed, manufactured, transferred or acquired during a fiscal year for a determinable cost of \$100,000 or

more, effective October 1, 1995, and having a useful life of two years or greater.

2. These assets will be funded through the capital budget and their costs will be depreciated according to established depreciation schedules. Fund resources necessary for capital assets shall be derived primarily from depreciation of existing Fund assets. The estimated depreciation expense shall be included in stabilized rates and prices billed to Fund customers. A capital purchase *positive or negative* surcharge, if required, shall also be included to fund the increment, if any, in excess of, *or less than*, depreciation when necessary to fund the approved capital investment.

3. Purchase and installation costs for the initial procurement of any and all depot maintenance capital equipment unique to newly introduced platforms or weapon systems will continue to be funded in the appropriate procurement account. Once transferred to or otherwise capitalized by the depot, the capital equipment becomes the property of the depot. The depot will treat the equipment as a capital asset, depreciate the equipment, and fund subsequent replacement and maintenance of the equipment in its capital and operating budgets in the Fund.

4. *The term "software" includes both operating software and application software. As defined in OMB Circular A-11, software includes systems programs, application programs, commercial-off-the-shelf (COTS) software, independent subroutines, data bases, and software documentation. Software that is integrated into hardware, and is necessary to operate the hardware, rather than to perform an application, should be budgeted with, and capitalized as part of the hardware. Systems application software, however, should be budgeted separately either as an expense or as a capital investment depending on whether it meets the criteria for a capital asset. Systems application software maybe acquired through (1) the purchase of COTS system; (2) the development of new applications through either in-house or contractual effort; or (3) the modernization of existing software that expands and/or enhances its existing capabilities.*

a. *Software development/modernization will be budgeted by project.*

The full scope of a software development project may consist of efforts in any or all of the following four phases: (1) planning and system design, (2) management and technical support during development, (3) system development including software modification and conversion, and (4) deployment, including environmental and operational test and installation. The inclusion of these phases and related cost elements will ensure that software development budgets are properly prepared. Technical and maintenance software support occurring after system installation are treated in DBOF as operational expenses. (Refer to the instructions for the Fund-9a exhibit of the Capital Investment Summary, paragraph C, Software Development/Modernization, of this chapter for those detailed costs to be captured in software development budgets).

b. Software amounts included in DBOF capital budget submissions should include those software development or acquisition efforts for the benefit of the DBOF activity, and exclude software developed or acquired for a specific customer order. (Software developed or acquired for a specific customer order should be charged to and reimbursed by the requesting customer.) Types of cost to be included in a software development project include total labor and nonlabor costs such as: (1) all direct costs for civilian and military personnel; (2) contractor labor; (3) supplies; (4) travel; (5) processing support for testing; (6) indirect costs; and (7) general and administrative costs (e.g., base operations support, higher headquarters, and depreciation for central design activity-owned assets). Exclude from the capital budget all costs incurred prior to Milestone 0, Concept Exploration and Definition. Costs such as basic research, study, exploratory development establishing feasibility and practicality of proposed solutions, rough order of magnitude estimates, etc., are treated in DBOF as operational expenses.

c. Software projects may be accomplished by modules. A module is an application that may be operated or used independent of other modules within a system. Where an entire system consists of more than one severable module, the request for capital budget authority (Fund-9b) for each deliverable module should be requested in the budget year the module is started, and should be funded in an amount sufficient to finance the specific module to its completion. However, budget justification material for development of DBOF capital investment projects

involving software must disclose the total estimated costs of all software development efforts associated with the applicable system with which the software is to be utilized, including the cost of software development efforts of other modules funded separately from the specific DBOF capital investment project being justified.

d. While the costs of acquiring ADP equipment should be excluded from the cost of software development projects, such costs also should be disclosed in the DBOF capital investment budget justification material for the software development project.

e. Budget submission and justification should be documented on Exhibit Fund-9a, 9b, and 9c. Exhibit Fund -9a, "Capital Investment Summary," represents the summary data of all software deliverables requested for a system. Exhibit Fund-9b, "Capital Investment Justification," provides detailed cost data and narrative justification for each module of a system. Exhibit Fund-9a and Fund-9b data should agree with, and also may be used for cross referencing, Exhibit 43-IT2 of the Information Technology budget. Exhibit Fund-9c, "Capital Investment and Financing Summary," outlines authority obligations, outlays, unobligated balances, and unexpended obligations by fiscal year.

f. The following shows, as an example, severable deliverable modules of a fictitious financial management system:

- XYZ FINANCIAL
MANAGEMENT SYSTEM SOFTWARE
MODULES

SOFT WARE DEVELOPMENT,
MODIFICATION, OR CONVERSION PHASE

Deliverables

- a. Cash Management Module
- b. Property Control
- c. Inventory Control
- d. Receivables
- e. Payables
- f. Cost Accounting
- g. Reporting

g. Software development and modernization costs incurred by Fund

activities for projects installed and operational after October 1 of a specific fiscal year will be depreciated beginning in the month the project is installed and operational (even though it may not be used in operations that month). Incremental deliveries of these projects will be depreciated if the cost of the delivery exceeds \$100,000.

5. Facility investment of \$100,000 or more but less than \$300,000 for a new or replacement facility, or for changes in the function of a facility, will be funded through the minor construction line of the capital budget and depreciated.

6. Each proposed acquisition of a capital asset shall be reviewed to ensure that it satisfies *all of* the following criteria:

a. It is *more* economically feasible to purchase rather than to lease the *capital asset*. While leasing is not a part of the Capital Purchases Program, it maybe appropriate for areas of fast changing technology or when work loads are expected to cease before the end of the program or payback period. Leasing also maybe used as a means of obtaining near-term benefits from productivity improvement opportunities until sufficient data to verify the benefits of procurement can be developed.

b. The acquisition of a capital asset meets the Department's long-range planning and programming objectives and results in satisfying a documented need for capability to perform valid operations, functions, or services that cannot be performed as effectively or economically by the use of existing equipment and facilities or by contract.

c. The acquisition of a capital asset complies with policies and regulations governing the acquisition and management of facilities, special tooling, and special test equipment as established by DoD Directive 4275.5, "Acquisition and Management of Industrial Resources" as well as other applicable policies and regulations governing the lease and acquisition of equipment and facilities.

7. Work load projections used to justify capital purchases must take into account the results of interservice decisions, work load

posture planning decisions, readily available commercial alternatives, and other reasonable options available for accomplishing applicable work load.

8. Capital assets recommended for acquisition shall be those deemed to most efficiently and effectively accomplish the objective for which they are justified. The criteria are: improved efficiency (savings) or effectiveness; required new capability and capacity that cannot be met with current equipment and facilities; replacement of unsafe (locally determined), beyond economical repair, or inoperative and unusable assets; and environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements.

9. A *formal* preinvestment analysis or a *cost comparison* is required to *justify investment projects for Capital Budget submissions in the four Capital budget investment categories*. In addition to budget formulation, either an *economic analysis or cost comparison shall be used to support a project substitution or to accomplish a reprogramming request*. This preinvestment analysis must be completed prior to inclusion of the capital asset in the capital budget submission, accomplishment of a reprogramming action, or a project substitution. The scope of analysis shall be tailored depending on the dollar value of the project. These analyses shall be maintained by the originating office of the DoD Component as projects documentation support for the Capital Budget submission as well as program execution.

a. The four capital budget investment categories are: automated data processing (ADP) and telecommunications equipment; non-ADP equipment; minor construction (less than \$300,000); and software development.

b. Capital budget projects in the four investment categories shall also identify one of the following primary reasons for justifying the investment: replacement; productivity; new mission; or environmental.

c. There are two exceptions that may apply in lieu of performing a preinvestment analysis. In both instances, an exception justification statement shall be prepared documenting the requirement or authority for the exemption claimed.

Exemption statements shall be validated as would a preinvestment analysis and approved through DoD Component review channels.

(1) Environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements including directed action by higher DoD or Component authority which precludes choice among alternatives.

(2) DoD instruction or directive waive the requirement (e.g., equipment age or condition replacement criteria).

d. A cost comparison shall be prepared for investment projects under \$100,000. The cost comparison initially shall be prepared in constant base year dollars and shall present a differential cost display by year for up to a six-year evaluation period beginning with the budget year for which investment funds are requested.

- Documentation for a cost comparison shall describe the functional process performed; define the need/requirement/objective; identify work load projections; address feasible alternatives; present total costs attributed to each alternative and the differential costs/monetary benefits expected in constant and current dollars over the six-year evaluation period; and provide significant assumptions, constraints, estimating methods, and rational and data sources.

- Payback shall be the primary economic indicator used for cost comparisons to rank order projects up to \$100,000 within the investment categories of each business area.

e. An economic analysis shall be prepared to justify capital investment projects of \$100,000 or more. The economic analysis shall be prepared on a net present value (NPV) basis and shall comply with applicable DoD or Component guidance as well as functional program guidance. The economic analysis initially shall be prepared in constant base year dollars and shall present a differential cost display by year over the project's expected economic life beginning with the budget year for which investment funds are requested.

- Documentation shall describe the functional process performed; define the

need/requirement/objective; present and explain work load projections; identify feasible alternatives; present total costs and the differential costs/monetary benefits in constant, discounted, and current dollars over the expected economic life of the project; present estimating methods/relationships, and data sources; identify significant constraints, assumptions, and variables; treat sensitivity and uncertainty of key parameters; and address all other quantifiable benefits as well as any intangible benefits influencing the recommended course of action.

- Quantifiable benefits are all outputs/results achieved in return for investment dollars associated with an alternative.

- Benefit to Investment Ratio (BIR) shall be the primary economic indicator used to rank order projects of \$100,000 or more within the investment categories of each business area.

- Automated economic analysis programs and reports may be used if the programs provide comparable information to that of standard economic analysis reports.

10. Annually, each military activity within the DBOF shall prepare post-investment analyses for ten percent of the number of capital investment projects, but not less than five projects, that were completed during the previous fiscal year and had been justified wholly or partially on the basis of economic considerations (e.g., productivity improvements). The projects selected for post-investment analyses shall be a representative sample of the completed investment projects. The format and technique for each post-investment analysis shall be similar to the cost comparison or economic analysis used for the project justification. The post-investment analyses shall be retained for ready review for five years.

11. The total annual capital budget approved, implicitly or explicitly, for each Component by the Congress during review of the Fund may only be exceeded to the extent that projects which were included in the operating budget based on approved expense/investment criteria must be executed as capital budget items due to revised cost estimates. Transfer of projects from the operating budget to the capital budget reduces the amount earned in the operating budget. Exceeding the total capital budget (the

total includes amounts reprogrammed) is an Anti-Deficiency Act violation.

Each Component may reprogram capital funds between business areas; however, the maximum annual increase in any one business area must be less than \$10 million for each *capital investment category* approved in the President's budget; i.e., ADP equipment and telecommunications, non-ADP equipment, minor construction, and software development. Reprogramming into a business area capital budget from the operating budget does not count against the \$10 million threshold.

Only those capital asset projects that have been included in a President's budget for the DoD Component may be financed through the Capital Investment Program except that, in the year of execution, substitutions may be made for projects when delays are incurred in placing the approved projects on contractor when operational necessity warrants. *The following approval levels and dollar threshold apply to changes to projects approved in the capital budget section of the AOB including reprogramming, substitutions, cancellations and additions:*

(1) *All adjustments or changes to capital projects that are equal to, or greater than \$500,000 shall be approved by the OUSD(C).*

(2) *All adjustments or changes between categories of capital projects (i.e., minor construction, equipment, ADP equipment and telecommunications, non-ADP equipment and software development) or business areas that increase a category or a business area by a cumulative amount equal to, or greater than \$500,000 within a program year shall be approved by the OUSD(C). If either of these thresholds are breached, then substitutions must be approved by the DoD Comptroller prior to their initiation. Subdividing of projects is not allowed.*

D. Exclusions From the Capital Purchases Program

The following are mandatory exclusions from the Fund capital purchases program and must be financed directly from appropriated funds:

1. Major Range and Test Facility Activities Items (equipment and minor construction) that meet the DoD investment capitalization criteria for use by major ranges and test facility bases operating within the Fund.
2. *Military and tenant support functions.*
3. Aircraft, ships, barges, and general-purpose passenger-type vehicles.
4. Equipment and minor constructions projects purchased to meet mobilization requirements, but not used during peacetime operations.
5. Equipment initially procured and usually furnished as part of a weapon system and/or support system to include initial common support equipment for depot maintenance support of new weapon systems.
6. Equipment normally funded by appropriated funds and provided to contractors as Government-furnished equipment to be incorporated into, used in conjunction with, or consumed in the production of, an end product. (Such equipment should be funded by appropriated funds and provided to the applicable DBOF activity at no cost to the DBOF activity.)
7. *Minor construction projects for a non-DBOF activity or military support function.*
8. *Construction and facility investment projects that exceed the amount specified in 10 U.S.C. 2805 for funding from accounts available for operations and therefore must be funded by the Military Construction appropriation.*
9. *Environmental projects financed or submitted for funding by the Defense Environmental Restoration Account.*
10. *Capital investments for morale, welfare and recreation activities.*
11. *Such other exclusions as maybe approved by the USD (C).*

E. Construction

1. Minor construction projects of \$300,000 or more shall be funded within the Military Construction appropriation.

2. *Effective in FY 1996, 10 U.S.C. 2805(c)(1) was amended to increase the threshold for unspecified military construction projects funded by the Fund and intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening from \$300,000 to \$1,000,000. However, projects costing \$500,000 or more must still be approved by the USD (C) and identified on the AOB prior to execution to avoid an Anti-Deficiency Act violation. Reprogramming thresholds identified in paragraph 090103.C.11 still apply.*

3. *Effective in FY 1996, 10 U.S.C. 2805(c)(1)(B) was amended to increase the threshold for minor construction projects from \$300,000 to \$1,000,000 for activities designated under the DoD Laboratory Demonstration Program. Fund activities designated to participate in the DoD Laboratory Revitalization Demonstration Program must still obtain prior USD(C) for projects costing over \$500,000 and have it separately identified on the AOB prior to execution of the project to avoid an Anti-Deficiency Act violation. Reprogramming thresholds for the capital asset program identified in paragraph 090103.C.11 still apply. The authority for the Laboratory Revitalization Demonstration Program expires on September 30, 1998.*

4. *Project planning and design costs are considered a capital investment cost that is capitalized by the DBOF activity and financed in the minor construction portion of the capital budget. Planning and design costs are not included as part of the statutory threshold for minor construction projects. The amount of planning and design funds should be separately identified from individual projects in the Budget Estimates Submission.*

F. Mobilization/Surge Costs and War Reserve Material

Mobilization capability costs include the costs to maintain a surge capacity, to procure and maintain approved war reserve material levels, and/or to maintain other assets, functions, or capabilities required to meet an operational contingency as documented in Defense Planning guidance or operational plans.

All costs at businesses within the Fund related to maintaining a capacity to meet mobilization requirements will be reimbursed by funds that are from direct appropriations and will not be financed through customer rates.

1. War Reserve Material. Initial procurement of war reserve material will be funded by a direct appropriation to the Fund. Such appropriated amounts for secondary items shall be reflected as a separate goal within the applicable Supply Management or Commissary Resale business area AOB.

2. Unutilized and Underutilized Plant Equipment.

- *Unutilized capacity that is, or is expected to be, unutilized during the fiscal year and that is associated with the ability to satisfy a projected surge capability is considered a mobilization requirement that is to be funded by appropriated funds provided by the DoD Component having management responsibility for the Fund activity. Costs applicable to unutilized plant and equipment, such as depreciation or maintenance, are not to be charged to the customers of the Fund activity. Unutilized capacity associated with the ability to provide capability in excess of any known or projected requirement is not a mobilization requirement.*

- *The costs associated with maintaining underutilized plant and equipment is not considered a mobilization requirement and as such, is to be included in the Fund activity's stabilized rate and charged to its customers.*

G. Military Personnel

1. *Since the majority of military personnel at DBOF activities are there for reasons other than DBOF business requirements (e.g., mobilization, rotational training, command opportunities), the full cost of military personnel should not be included in the DBOF cost of operations or customer rates. Instead, for development of customer rates, a civilian equivalent rate, provided by the USD (C), will be used to price military personnel at DBOF activities during budget formulation. The difference between the civilian equivalent costs, included in the DBOF budget, and the actual military personnel cost will be budgeted directly in the appropriate military personnel appropriation.*

The number of military included in the budget will be the number of military workyears assigned to the DBOF business.

2. *The amount expensed for military personnel by DBOF activities and the amount reimbursed to the appropriate military personnel appropriation will be the same as the amount budgeted. No adjustments will be made to the DBOF cost of operations to reflect the actual cost of military personnel employed by DBOF activities. Military Departments having military personnel assigned to other Components will provide to each Component the number of workyears that should be included in the DBOF budget submission.*

3. The civilian equivalent costs are provided by the DoD Comptroller and are calculated as follows: (a) The current General Schedule of civilian pay rates, step 5 or Executive Service pay rates of the equivalent grade are used. (b) The amount in (a) should be multiplied by any proposed pay raise effective in future periods that may impact the level and cost for negotiated military support. (c) The amount calculated in (b) is to be multiplied by the civilian personnel fringe benefits factor applicable to the Military Service or Defense Business Operations Fund to arrive at the total civilian cost. The 14.7 percent for unfunded civilian retirement is not to be included in the calculation. (d) Civilian personnel fringe benefit rates and military composite rates are provided by the DoD Comptroller.

4. *See Volume 2A, paragraph 010217 for military personnel pricing policy.*

H. Full Recovery of Costs and the Setting of Prices

1. Managers of business areas within the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process and remain fixed during the year of execution. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher-than-anticipated prices. In turn, this policy allows activities to execute the budgeted program level

and permits a more effective use of Fund resources.

2. Prices for the budget year will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result in the budget year of zero. During budget execution, business areas will record either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual or projected losses or to return actual or projected gains in the budget year(s).

3. Non-Organic Contract Costs

As stated above, DBOF policy requires that Components budget for total costs incurred for business areas. Thus, Components will include in prices contract costs for effort funded at a DBOF business area by the customer but performed by contractor (non-organic effort) in the total cost of that DBOF, business area. In addition, the budget estimate will recover all costs associated with contract award and administration through prices charged to the customer.

4. Unbillable Expenses and Operational Losses.

Expenses that cannot be billed to an identifiable customer or that were generated from unforeseen cost overruns are to be treated as expenses in the fiscal year in which the costs were incurred. The operating losses accruing, therefore, will be included in calculating net operating results.

5. The prices set for all business areas processes will match the rate changes approved during the budget review.

I. Base Realignment and Closure (BRAC)

1. BRAC Costs - Costs incurred in implementing the recommendations of the Base Realignment and Closure (BRAC) Commissions will be funded by the appropriate BRAC account and are not to be included in the rates and costs of businesses within the Fund. *Prior year, current year, or budget year operating losses in DBOF are not to be budgeted in the base closure accounts. Costs*

attributable to base closure actions at DBOF activities to be budgeted in BRAC may include:

- *BRAC directed reductions-in-force, separation incentives, plant closures, plant layaway or custody costs or other BRAC related expenses, such as all costs not associated with a valid work order during the year of closure.*

- Environmental Restoration and Mitigation. *This includes reducing, removing, and recycling hazardous waste, and removing unsafe building debris.*

- Planning. *Conduct of such advance planning and design as may be required to transfer from an activity being closed to another military installation.*

- Outplacement Assistant. *Assistance in relocation, training, or other necessary assistance to civilian employees employed by the Department at installations being closed.*

- Community Programs. *This includes economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions will be transferred as a result of closure of a military installation.*

2. BRAC and DBOF Rates - *Overhead, not specific to BRAC and not in support of producing goods or services for customers, will be financed in the year the costs are incurred with the Components' Operation and Maintenance (O&M) appropriations. DBOF losses occurring in years prior to closure will be recovered through the rate structure to the extent that there are new customer orders. When there are no new customer orders in the budget year, all overhead not included in rates supported by ongoing work or prior year losses to be recovered in the budget year must be refinanced as a pass through to the DBOF from the O&M appropriations of the Military Department or Component responsible for the activity incurring the loss. All costs at a closing activity in the year of closure that are not associated with a valid work order or are not valid BRAC costs are O&M costs and must be budgeted in the fiscal year when they will be incurred. BRAC costs are defined in the paragraph above.*

J. Funding of Civilian Voluntary Separation Incentive Program.

The Fund will finance and include costs in stabilized rates for civilian separation incentive requirements of assigned employees unless they must be offered as a result of directed base realignment and closure action. If the offering is a result of a base realignment and closure action then the appropriate Base Realignment and Closure Account will fund the civilian separation incentive.

K. Base Support

DBOF activities that use any of the services as listed in Exhibit Fund-22 must reimburse host activities in accordance with DoDI 4000.19 (Interservice and Intragovernmental Support) to the extent that the specified support for the DBOF activity increases the host activity's direct costs. Costs for DBOF mission products and services (e.g., depot supply, depot maintenance, Public Works Center services, information processing, communications, and software development) shall be based on the approved, stabilized rate. Other support incidental to the DBOF activity's primary mission or purpose shall be budgeted based on direct costs measurable and directly attributable to the DBOF activity (incremental direct cost). Only the incremental change in cost attributable to the DBOF activity (incremental direct cost) shall be chargeable to the DBOF activity. Indirect costs are not to be included as a cost to the DBOF activity. The cost of operations budgeted for these services either as a host or tenant activity should be noted by business area in Exhibit Fund-22 (Summary of Base Support) that is provided to OSD/OMB with the fall budget submission.

L. First Line Supervision

First line supervision is that level immediately over nonsupervisory workers. First line supervisors and above are official supervisory positions and, when acting in a supervisory capacity, their labor costs shall always be budgeted and charged as an indirect cost of the cost center supervised. Crew chiefs, snappers, team leaders, and other subordinate job leaders are not considered first line supervisors. Volume 11B, Chapter 63, paragraph K contains additional information related to charging labor costs.

M. DBOF Management Headquarters Costs

A DBOF management headquarters is a discrete organization or part of an organization that has authority over the management of the DBOF business area. OSD and Service Departmental activities normally do not have this direct responsibility. All the major systems/logistics organizations in the Services include headquarters elements directly supporting DBOF activities that should be funded or reimbursed by DBOF business areas.

Costs for discrete DBOF management headquarters organizations and parts of organizations that perform direct DBOF management headquarters functions should be directly funded by DBOF, if feasible, or reimbursed by DBOF. Only significant costs (exceeding 1 percent of the total business area costs, or if less than 1 percent, costs that exceed \$1 million) should be reimbursed. In addition, significant costs for common support functions (e.g., counsel, personnel, etc.) at organizations partially funded or reimbursed by DBOF (i.e., that have direct DBOF management responsibilities) should also be allocated, if feasible.

N. Dual Funded Organizations

A dual funded organization is an organization that is funded (including reimbursable funding) by both the DBOF and other appropriations or accounts. In those instances where a function is funded with a combination of both DBOF and appropriated funds, the function initially will be funded in its entirety either by the DBOF or by appropriated funds. The determination of whether the particular function initially is to be funded by the DBOF or by appropriated funds will be based on the predominance of definable units of measure for the function--e.g., work load, productive hours, outputs, or ultimate use. The part of the organization (or funding source provided) initially funding the function shall be reimbursed for appropriate amounts by other parts of the organization (or financing sources or customers) involved. Reimbursement (and the allocation of costs) between the provider and customer shall be made based on the same unit of measure--e.g., work load, productive hours, outputs, or ultimate use--as was used to determine which organization (or funding source) initially funded the applicable costs; and the amount of reimbursement shall be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved.

Notwithstanding this policy, the amount of reimbursement for base support services provided by the DBOF to tenant activities shall be determined in accordance with the policies in paragraph 090103.K and DoDI 4000.19.

For example, if the part of an organization that is within the DBOF account for 60 percent of the unit of measure for a function shared with the part of the organization funded through appropriated funds, then the DBOF portion of the organization initially would fund all of the costs of performing that function. However, the applicable part of the organization funded through appropriated funds would reimburse the DBOF for (and be allocated) 40 percent of the costs.

When a capital asset purchased by the DBOF is also used by the appropriated fund part of the organization, the Fund activity will capitalize the capital asset and bill the appropriated fund customer for the use of the capital asset. Such billings will utilize a stabilized rate that recoups both depreciation and operating costs.

When a capital asset purchased by an appropriated fund part of the organization is also used by the DBOF part of the organization, the appropriated fund side will capitalize the asset and bill the DBOF for operating costs only. (Appropriated fund activities do not bill DoD activities for depreciation of capital assets.)

O. Revenue Recognition

Revenue and associated costs must be recognized in the same accounting period. Revenue must be recognized in the same manner (that is, a standard policy for recognizing and reporting revenue must apply) for all activities within a DBOF business area. The amount of revenue recognized cannot exceed the amount specified in the order. The policy varies based on the type of customer order, the length of time necessary to complete the order, and the value of the order. There are two types of customer orders: (1) end-product (end-item) type orders which, at the completion of the customer order, produce a usable end-product (an overhaul, repair, manufacture, construction, modification, etc.); and (2) service type orders which provide a service over a specified period of time.

It is important that current period net income/loss include revenues earned and costs incurred in the same periods in order for the business area manager to better evaluate the performance of an organization for the period(s) in which the work is performed. The revenue recognition policy does not encompass or establish policies for billings to customers or payments from customers.

DoD Financial Management Regulation (DoD 7000-14R), Volume 11B, Chapter 61 provides specific revenue recognition guidance by DBOF business area.

P. Customer Mandated Schedule

When a job order is canceled or reduced in scope after a DBOF activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is indirect and other normally allocated overhead (G&A) costs), plus costs associated with the cancellation or reduction shall be charged to the customer.

DoD 7000-14R, Chapter 1, paragraph 010222, provides specific guidance for the types of directly associated cancellation or reduction costs that can be charged to customers.

Q. Extraordinary Write-offs.

Extraordinary write-offs of losses, chargeable against AOR in accordance with accounting policies, shall not be recovered through increases in customer rates in the following circumstances: losses resulting from the disposal or divestiture of capital budget items that have not been fully depreciated at the time they are taken out of service due to BRAC action; gains from customer returns without credit; or losses associated with systematic inventory reductions by disposal of assets associated with force draw downs. All such extraordinary write-offs will be separately identified in the Component's budget submission using either Form SM-5B or Fund-7B and will include an attached explanation which cites the fiscal year, the action which precipitated the divestiture action, the basis of the proposed write-off, and the dollar value.

R. Funding policies reflecting relationships with, and requirements of, other appropriations are provided in Chapter 1, Section 0102.

090104 Rate Setting in the Business Areas

A. In accordance with paragraph 090103, stabilized rates reflecting full costing will be set during the budget process for all business areas. The Fund includes a variety of business areas that are categorized in two groups for rate setting purposes.

1. Supply Management Business Areas. Utilize commodity costs in conjunction with a surcharge to establish customer rates (see paragraph 090203 Supply Management).

2. Non-Supply Management Business Areas: Depot Maintenance, Research and Development, Transportation, Distribution Depots, Base Support, and all other business areas have unit cost rates established based on identified output measures or representative outputs. These output measures establish fully cost burdened rates per output, such as a cost per direct labor hour, cost per product, cost per item received, cost per item shipped, etc. These business areas establish both their output rates and the stabilized customer rates through the same general process. An example of this process is described below, and a more detailed explanation is provided in paragraph 090204.

B. Definitions and Procedures

1. Stabilized Rate. The stabilized rate is the cost per direct labor hour (or other output measure) customers are charged for the products and services provided by the depot or business area. A stabilized rate is established for the fiscal year(s) budget being formulated during the budget review process. The stabilized rate is determined by taking the approved Direct Labor Hour rate (or other cost per output measure) for the budget year and adjusting it for both inter-Fund transactions (adjustments to reflect changes in the costs of purchases between business areas within the Fund), and for the impact of prior year gains or losses as reflected by the AOR. This annual stabilized rate is the rate that will be charged for all new customer orders received and accepted during that specific fiscal year, regardless of the fiscal year the work is actually executed and billed. In Supply Management, customers are charged the stabilized price in effect when the item is dropped from inventory.

2. Rate Change. The annually published rate change for business areas is the percentage change of the stabilized rate or price between fiscal years. As an example, for depot maintenance, the budget year rate is determined by dividing the approved Direct Labor Hour rate proposed for the budget year by the stabilized Direct Labor Hour rate in effect for the current execution year. That value, expressed as a percentage (plus or minus from a base of one), is the composite price change rate customers will use in their appropriated funds submissions.

C. Budgeted Rates. DoD(C) will review and approve all final rates and prices developed for the President's budget submission during the Budget Review. Rates to be charged customers will be developed by the Components in their budget estimate submission to recoup all costs associated with the Business Area operating and capital budgets including all labor and nonlabor, direct, indirect, and general and administrative overhead costs. Following the determination of required costs and proposed rate structures necessary to recover the full costs of executing the Components' planned support program, Components will make corresponding adjustments in appropriated customer account budget requests to ensure the customer and Fund business budgets are in balance.

D. Budget Formula Rates and Prices. Rates will be established in a multiple step process as described below:

1. Each Service or DoD Component managing a business area should carefully review all projected costs for all operations projected for the fiscal year, and propose the most cost-efficient operation possible.

2. Customer requirements must be projected to include all anticipated work load programmed for accomplishment during the budget year based on identified outputs such as direct labor hours by product, tons shipped, line items received, and all other approved output measures for each business area.

3. Adjustments required to conform to OSD and OMB guidance on the impact of inflation, projected pay changes, and other programmatic and policy changes will also be

included by Components in developing proposed rates.

4. DoD Components will propose costs, program levels, and rate changes by business area in their budget estimate submissions.

5. Final approved costs, program levels, and rate changes will be established by Program Budget Decision documents, after adjustments required to balance changes to the customer account program levels with anticipated Fund costs, inter-Fund sales and transactions, and adjustments for NOR in order to bring Accumulated Operating Result to zero for the Budget Year for each business area.

090105 Preparation of Materials

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 9 provides additional specific guidance with regard to the back-up material required for the Fund and other unit cost budget areas.

090106 References

Chapter 1 provides funding policies to be adhered to include those that impact other appropriations and accounts. Chapter 2 provides guidance related to Military Personnel costs. Chapter 3 provides guidance related to Operation and Maintenance costs and Chapter 8 provides guidance related to Real Property Maintenance and Minor Construction.

0902 BUDGET FORMULATION

090201 Purpose

This section provides guidance for preparation and submission of fall budget and execution review estimates for the Defense Business Operations Fund (DBOF)

090202 General

A. Copies. Number of copies of the required materials to be submitted with the annual budget estimates are identified in Chapter 1. Four (4) copies of relevant materials will be submitted with the execution review when a separate review is required. An execution review will be conducted when approved by DoD(C).

B. Classification. The DBOF justification books prepared by the Components are to be unclassified. Any classified exhibits will be submitted under separate cover.

C. Formats. Exhibits will be submitted on 8-1/2 x 11 inch paper, with 3 holes punched along the 11-inch side. Minor variations in format to facilitate automation must be approved by DoD Comptroller prior to September 1. Provide written request for variations to the Director for Revolving Funds no later than August 1. The response to the request will be forthcoming within 10 working days.

D. Automated Requirements. Consistent with the guidance contained in paragraph 010505, the DBOF budget estimates will be entered into the Budget Review System (BRS). BRS entries are in obligations.

1. DBOF Operating Budgets will be entered into the BRS as new obligations. However, the hard copy submission should reflect costs with a correlation provided of the relationship between obligations and cost.

2. DBOF Capital Budgets will be entered into the BRS as obligations regardless of program year. Do not enter into the BRS the program year totals. However, the hard copy submission should reflect the full costs of the project or item with Exhibit Fund-9c providing the correlation between the program and obligations.

3. Enter estimates of civilian *full-time equivalents (FTEs)* for civilian personnel data and military end strength for military personnel data.

4. During the budget review, the alternative estimate contained within Program Budget Decisions will be expressed as obligations, FTEs for civilian personnel, and end strength for military personnel, and will adjust the BRS. Program Budget Decisions will also, based on the proper correlation provided by the Components, contain compatible cost adjustment summaries to be used for rate and price adjustments and for adjusting financial statements used for budget justification.

090203 Supply Management Business Areas

A. The methodology formerly contained in DoD Instruction 4140.24, "Requirements Priority and Asset Application for Secondary Items," will be used to develop budgetary requirements until updated. Stratification products will be submitted on a routine basis. A copy of the transition from the stratification to the budget will be provided for each wholesale division.

B. The following statements/tables/exhibits are prescribed for the supply management business areas of the Fund.

		OSD/OMB Budget	Backup to Pres Budget	President's Budget	Execution Review
SM-1	Supply Management Summary by Division	yes	yes	yes	yes
SM-2	General Narrative Justification by Division	yes	no	no	yes
SM-3a	Operating Budget	yes	no	no	no
SM-3b	Operating Requirement by Weapon System by Division	yes	yes	yes	no
SM-3c	Mobilization by Division	yes	no	no	no
SM-4	Inventory Status	yes	yes	yes	no
SM-5a	Surcharge Computation	yes	no	no	no
SM-5b	Customer Price Change	yes	yes	yes	no
SM-8	Collections/Disbursements	yes	yes	no	no
SM-10	Commodity Summary	yes	no	no	no
SM-16	Total Cost Per Out Summary	yes	no	no	no
Fund-1	Summary of Price, Program, & Other Changes	yes	yes	<i>no</i>	no
Fund-1a	Details of Price, Program, & Other Changes	yes	no	no	no
Fund-9a	Capital Investment Summary	yes	<i>no</i>	yes	no
Fund-9b	Capital Investment Justification	yes	<i>no</i>	yes	no
Fund-9c	Capital Investment & Financing Summary	yes	yes	no	no
<i>Fund-9d</i>	<i>Capital Budget Execution</i>	yes	<i>no</i>	yes	<i>no</i>
Fund-11	Source of Revenue	yes	<i>no</i>	yes	no
Fund-12	Performance & Quality Measures	yes	yes	no	no

		OSD/OMB Budget	Backup to Pres Budget	President's Budget	Execution Review
Fund-13	Cash Management Plan	yes	yes	no	no
Fund-14	Revenue and Expenses	yes	no	yes	no
Fund-15	Fuel Data	yes	yes	yes	no
Fund-19	Military & Civilian Personnel by End Strength & FTEs	yes	no	no	no
Fund-20	Military Personnel End Strength	yes	no	no	no
Fund-21	Civilian Personnel Costs by Business Area	yes	yes	no	no
Fund-22	Summary of Base Support	yes	no	no	no
Fund-23	Statement of Financial Condition	yes	no	no	no
Fund-25	Headquarters Cost	yes	no	no	no
<i>Fund-26</i>	<i>Revenue and Expense Phasing Plan</i>	<i>yes</i>	<i>yes</i>	<i>no</i>	<i>no</i>
<i>Fund-27</i>	<i>DFAS Customer Funding Summary</i>	<i>yes</i>	<i>no</i>	<i>no</i>	<i>no</i>
<i>Fund-28</i>	<i>Execution Performance Monthly Analysis</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>yes</i>
<i>Fund-29</i>	<i>Civilian Personnel Execution Performance Quarterly Analysis</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>yes</i>
OP-32	Operation & Maintenance Budget Activity (Part of the O&M submission, Chapter 3)	yes	no	no	no
R-32	RDT&E Appropriation Budget Budget Activity (Part of the RDT&E submission, Chapter 5)	yes	no	no	no
P-32	Procurement Appropriation Budget Activity (Part of the Procurement submission, Chapter 4)	yes	no	no	no

C. Definition of Terms Used in Supply Management Business Areas

Acquisition Lead Time. The interval in months between the initiation of procurement action and the receipt into the supply system of the production model (excludes prototypes) purchased as the result of such actions. Acquisition Lead Time is composed of two elements, production lead time and administrative lead time.

Administrative Leadtime. That portion of the procurement leadtime that begins with the identification of the need to buy and the awarding of the contract.

Allocation. Under the appropriations act, direct funds are now appropriated to the DBOF; therefore, obligations may be made against DBOF to procure war reserve material inventory. Obligation authority for Mobilization purposes should be separately identified in annual funding documents. Obligations shall be separately accounted for and reported as mobilization and operating.

Beginning of Period (BOP, BP). The start of a specified fiscal year normally on October 1 used to determine the opening "snapshot" status of resources.

Capitalized Inventory. On-hand and on-order inventories of supplies funded by other appropriations and funds are considered as contributed capital as of the date when management responsibility for the items is undertaken.

Capitalization. The process whereby the Fund assumes management responsibility and ownership without reimbursement for inventories financed from other DoD appropriations or funds.

Commitment. A firm administrative reservation of funds, based upon firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The recording of a commitment reserves funds for future obligations.

Contingency Retention Stock. That portion of the quantity of an item excess to the Approved Acquisition Objective and for which there is no predictable demand or quantifiable requirement and which normally would be allocated as potential reutilization stock, except for a determination that the quantity will be retained for possible contingencies.

Cost of Goods Sold (COGS). COGS represents the average acquisition price of the items sold. Although the exact calculation can be accomplished in several ways, it is obtained for each NSN by spreading the amount of the investment made to acquire the inventory over the number of items in the inventory, times the number of the items sold. This matches the sales revenue in one period with the transactions affecting costs, which may have occurred in several previous periods. COGS is not affected by surcharge rates, obligations for replenishment, or net outlays. COGS is the essential baseline to obtain operating results and establishing prices.

Decapitalization. The transfer of Fund inventories to other appropriations or funds without reimbursement.

Demands. An indication of a requirement (requisition, request, issue, repairable generation, etc.) for issue of serviceable material. Demands are categorized as either recurring or nonrecurring and are also referred to as orders. Demands for repairable items should indicate whether or not a carcass will be returned.

Direct Appropriations. Amounts appropriated by the Congress to the Fund for war reserve material, Defense Commissary Agency, or other purposes.

Economic Retention Stock. That portion of the quantity of an item greater than the Approved Acquisition Objective determined to be more economical to retain for future peacetime issue than to dispose and satisfy projected future requirements through procurement or repair. To warrant economic retention, items must have a reasonably predictable demand rate.

End of Period (EOP, EP). The last day of a specified fiscal year normally on

September 30 used to determine the closing status of resources.

Exchange Price. This is the price charged to customers exchanging a repairable item (DLR) for a serviceable one (new or repaired). Equates to the latest or average repair costs plus wash out costs per item plus the surcharges necessary to recover all the other costs in supply management.

Expendable Supplies and Material. Supplies which are consumed in use, such as paint, fuel, cleaning, preserving materials, surgical dressing, drugs, and medicines, etc., or which lose their identity in use, such as spare parts, etc. They are sometimes referred to as consumable supplies and material.

Initial Spare and Repair Parts. Those spares and repair parts introduced through the provisioning process to sustain material systems programmed operations until requirements are forecast based on actual demands (i.e., replenishment).

Insurance Item. A nondemand-based stocked essential item for which no failure is predicted through normal usage. However, if a failure were to be experienced or a loss occur through accident, abnormal equipment or system failure, or other unexpected occurrence, lack of replacement would seriously hamper the operational capability of a weapon system.

Inventory (Supply). An aggregation of material (supplies, equipment or end items) which is maintained for the primary purpose of issue to replace a failed, lost, or consumed item, or to provide initial stockage or stock replenishment to supported or supporting units or activities.

- Consumer Level of Inventory:
An inventory, usually of limited range and depth, held only by the final element in an established supply distribution system for the sole purpose of internal consumption. Inventory at the consumer level is normally no longer considered Fund inventory.

- Intermediate Level of Inventory:
An inventory between the wholesale and consumer levels, regardless of funding source.

- Wholesale Level of Inventory:
Inventory, regardless of funding sources, over which the inventory manager at the inventory control point level has asset knowledge and exercises unrestricted asset control to meet worldwide inventory management responsibilities.

Inventory Cost Categories

- Operating Costs, other than initial purchase of war reserve material, consist of orders placed, contracts awarded, and similar transactions which legally encumber the government to a specified future outlay of funds.

- Mobilization Costs cover fiscal year New Budget Authority to procure items with funds appropriated specifically for war reserve stocks. These quantities of material are required to support approved force mobilization objectives. The approved force mobilization objective is the quantity required, in addition to peacetime assets normally available on any given date, to equip and support the approved force structure in accordance with current Defense Guidance.

Numeric Retention Stock.

Formerly, the quantity of an item in excess of all identified requirement objectives but for which disposal is currently infeasible or uneconomical or for which a management decision has been made to retain stock in the supply system. This category of stock is no longer valid.

Latest Acquisition Cost (LAC).

The price paid for each item the last time it was purchased from a supplier (*latest invoice price*), *unless the last purchase is not a representative purchase*. Can be based on an earlier buy if the latest purchase is considered nonrepresentative. Does not include any surcharges or inflation factors.

Numeric Stockage Objective (NSO) Item. A nondemand-based, stocked, essential item for which, although failure may be predicted, the probability of demand is so low that it does not meet the stockage criteria at a given activity and, as a demand-based item, would not be stocked. Since the lack of a replacement item would seriously hamper the operational capability of a

weapon or weapon systems, the item is therefore stocked; but as nondemand-based. Also included in this category are:

- Items needed to support particular programs of a nonrecurring or sporadic nature (e.g., set assembly, nonrepetitive overhaul programs) where reprourement is not required once the particular program has been completed.
- Items that are procured on a life-of-type basis or which are "bought out" at the termination of a production program.
- Items that are not fully consumed during a one-time or nonrepetitive program but which should be retained for possible future need on a similar program.

Other War Reserve Material Requirements. The total war reserve material requirement less the sum of the prepositioned war reserve requirements.

Outlays. Checks issued or other payments made by the government for goods and services received. Gross outlays are equal to the cumulative amount of disbursements made for the fiscal period to date. Net outlays are equal to gross outlays less the cumulative amount of collections received for the fiscal period to date.

Peacetime Operating Level of Supply. The quantities of material required to sustain operations in the interval between requisitions and the arrival of successive shipments. These quantities should be based on the established replenishment period (monthly, quarterly, etc.).

Prepositioned War Reserve Material Requirement (PWRMR). That portion of the war reserve stocks required to be on hand on M-Day which approved Defense Guidance dictates be reserved and/or positioned at or near the point of planned use or issued to the user prior to hostilities, to reduce reaction time and to assure timely support of a specific force/project until replenishment can be effected.

Price Stabilization. The policy through which the standard price of each cataloged item shall remain constant throughout each fiscal year except for correction of errors.

Production Lead Time. The time interval between the letting of a contract or the placing of an order and the first significant receipt into the supply system of material purchased as a result of such action.

Provisioning Item. Spares and repair parts required as both demand and nondemand-based levels in the supply system to support new fielding of end items.

Provisioning Item (Outfitting). That portion of Provisioning consisting of items for which a sale is anticipated to an appropriated outfitting (buy-out) account.

Reclassification. The transfer of assets between inventory strata.

Repair Cycle Level. The quantity of repairable items required to sustain operations during the repair cycle that commences when a maintenance replacement takes place and ends when the unserviceable asset is returned to stock in a serviceable condition. This includes such stages as removed, awaiting shipment, in transit, in prerepair screening, in process of repair, and being returned to serviceable stock. Any extraordinary awaiting-parts delays and any intentional extended-transit, storage, or repair-process delays should be excluded from the repair cycle.

Repairable Item. An item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level.

Requisitioning Objective. The maximum quantities of material to be maintained on hand and on order to sustain current operations and core war reserve. It will consist of the sum of stocks represented by the operating level, safety level, and the order and shipping time or procurement time, as appropriate.

Retail Inventory. Supplies/material held below the wholesale level (e.g., the intermediate and consumer levels of inventory).

Replenishment Spare and Repair Parts. Those spare and repair parts required to

resupply or increase initial stockage of reparable or consumable parts in support of fielded items.

Safety Level of Supply. The quantity of material required to be on hand to permit continuous operations in the event of minor interruption of normal replenishment or unpredictable fluctuations in demand.

Standard Price. The price customers are charged which, for DoD ICP managed item (excluding subsistence), remains constant throughout a fiscal year except for the correction of significant errors. The standard price is computed based on various factors which include the latest acquisition cost of the item plus surcharges to recover costs for transportation; inventory loss, obsolescence and maintenance; depreciation; and supply operations. Customers are charged exchange price for DLRs unless the carcass is not returned. If the carcass is not returned, the customer is billed the difference between exchange and standard price (carcass value).

Stockage Objective. The maximum authorized quantity of material on hand to sustain current operations. It consists of the sum of stock represented by the operating level, the safety level, the repair cycle level, and authorized additive levels.

Stratification Process. A uniform portrayal of requirements and asset application that is a computer-generated simulation of actions causing changes in the supply position, e.g., procurement, repair, receipt, issue, terminations, and disposal of material.

Surcharge. Factors added to the latest acquisition cost or repair cost price of an item to arrive at the customer's standard or exchange price. Surcharges will include: (1) transportation, for such costs as deliveries from production site to points of use or storage; (2) inventory obsolescence and loss, for the costs of pilferage, damage, deterioration, physical inventory shortages and excess; (3) inventory maintenance; (4) supply operations support costs; (5) inventory augmentation; (6) depreciation; and (7) carcass attrition costs, if applicable.

Unfunded Requirement. The difference between the spare and/or repair parts

requirement computed in accordance with DoD Policy (such as, DoDI 4110.24, DoDI 4140.39, and DoDI 4140.24) and the amount of that requirement that is funded.

Unobligated Commitments. Amount of commitments incurred this fiscal year to date which have not resulted in obligation at the end of the report period.

War Reserves. War reserves are stocks of material amassed in peacetime to meet the increase in military requirements forecasts contingent on an outbreak of war. War reserves are intended to provide the interim support essential to sustain operations until resupply can be effected.

D. Budget Submission Formats are provided in Section 0904.

090204 Non-Supply Business Areas

A. The following statements/tables/exhibits are prescribed for the remaining business areas of the Fund other than Supply Management. Exhibits Fund-7a and Fund-7b are to be included for all business areas which use direct labor hours in their rate computation. Exhibit Fund-8b is to be included only for the Transportation business areas.

		OSD/OMB Budget	Backup to Pres Budget	President's Budget	Execution Review
SM-8	Collections/Disbursements	yes	yes	no	no
Fund-1	Summary of Price, Program, and Other Changes	yes	yes	no	no
Fund-1a	Details of Price, Program, and Other Changes	yes	no	no	no
Fund-2	Changes in Cost of Operations	yes	no	yes	no
Fund-3	Labor Cost Breakdown	yes	no	no	no
Fund-4	Summary of General & Administrative Costs	yes	no	no	no
Fund-5	Total Cost Per Output Summary	yes	yes	no	no
Fund-6	Derivation of Unit Cost Estimates	yes	no	no	no
Fund-7a	Summary of Source of Revenue	yes	no	yes	no
Fund-7b	Customer Rate Computations	yes	no	no	no
Fund-8a	Appropriation Request Summary	yes	no	no	no
Fund-8b	Air Mobility Command	yes	no	no	no
Fund-9a	Capital Investment Summary	yes	no	yes	no
Fund-9b	Capital Investment Justification	yes	no	yes	no
Fund-9c	Capital Investment & Financing Summary	yes	yes	no	no
<i>Fund-9d</i>	<i>Capital Budget Execution</i>	yes	no	yes	no
Fund-10	Price Changes	yes	no	no	no
Fund-11	Source of Revenue	yes	no	yes	no
Fund-12	Performance & Quality Measures	yes	no	no	no
Fund-13	Cash Management Plan	yes	yes	no	no

		OSD/OMB Budget	Backup to Pres Budget	President's Budget	Execution Review
Fund-14	Revenue and Expenses	yes	no	yes	no
Fund-15	Fuel Data	yes	no	no	no
Fund-16	Material Inventory Data	yes	no	yes	no
Fund-17	Summary of Real Property Maintenance	yes	no	no	no
Fund-18	Fund Summary by Component	yes	no	no	no
Fund-19	Military & Civilian Personnel by End Strength and <i>FTEs</i>	yes	no	no	no
Fund-20	Military Personnel End Strength	yes	no	no	no
Fund-21	Civilian Personnel Costs by Business Area	yes	yes	no	no
Fund-22	Summary of Base Support	yes	no	no	no
Fund-23	Statement of Financial Condition	yes	no	no	no
Fund-24	Summary of Personnel Data	yes	no	no	no
Fund-25	Headquarters Cost	yes	no	no	no
<i>Fund-26</i>	<i>Revenue and Expense Phasing Plan</i>	<i>yes</i>	<i>yes</i>	<i>no</i>	<i>no</i>
<i>Fund-27</i>	<i>DFAS Customer Funding Summary</i>	<i>yes</i>	<i>no</i>	<i>no</i>	<i>no</i>
<i>Fund-28</i>	<i>Execution Performance Monthly Analysis</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>yes</i>
<i>Fund-29</i>	<i>Civilian Personnel Execution Performance Quarterly Analysis</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>yes</i>
OP-32	Operation & Maintenance Budget Activity Chapter 3)	yes	no	no	no
R-32	RDT&E Appropriation Budget Budget Activity (Chapter 5)	yes	no	no	no
P-32	Procurement Appropriation Budget Activity (Chapter 4)	yes	no	no	no

B. Definitions Used in Non-Supply Business Areas

Maintenance Depot. Industrial facilities of the Defense Business Operations Fund including; Army and Marine Corps Multiple Commodity Maintenance Depots, Ordnance Depots, Arsenals, Navy and Air Force Aviation Depots, Shipyards, and DLA Industrial Plant Equipment Repair Sites.

Direct Labor Hour Rate. The fully burdened cost per direct labor hour used as the initial basis for establishing stabilized rates. The direct labor hour rate is computed by dividing the sum of all labor, nonlabor, and material direct, indirect, general and administrative expenses projected to be incurred by the depot (or other business area) during the fiscal year, by the total number of direct labor hours (or other outputs) anticipated to be accomplished during the fiscal year.

Direct Labor Hour (DLH). DLHs, sometimes referred to as Direct Product Standard Hours, are the number of hours required to perform the direct work on a product, or to perform a billable service for customers. Direct labor hours generally include the hands-on maintenance, repair, overhaul, test, and related direct production effort that follows the established sequence and content of work necessary to accomplish the billable job. Direct Labor Hours do not include the support work or manhours identified as either indirect or general and administrative in nature. DLHs are estimated for budget purposes, by product or service, based on industrial or management engineering standards developed using time, method, and motion studies, historical usage averages, or professional estimating and evaluation (E&E) techniques.

Fixed Price Catalogs. Depot Maintenance business areas may maintain a catalog of products and services (major end items, components, depot level repairable, modification kits, etc.) with their associated rework, repair, overhaul, installation, etc., based on the Standard Depot Level Maintenance (SDLM) or Planned Depot Maintenance (PDM), work package Direct Labor Hours (DLHs). The DLHs associated with the product or service multiplied by the stabilized composite rate for a fiscal year constitutes the firm fixed price for the catalog item. Catalogs may be

maintained in hard copy or in electronic data bases accessible to customers.

Total Cost of Goods Sold. Refers to the total costs incurred in the operating budget of the business area associated with the revenue planned to be recognized for the budgeted fiscal year.

C. Component Estimates of Rates.

Each Business Area will include proposed new customer order rates for each budget year in accordance with paragraph 090104. The rates will be established during the budget review process and will remain stabilized through the execution year.

1. Total direct labor hours (DLHs) required to accomplish the budget year's work program will be identified by the Component in their OSD/OMB submission. The work program is the total number of DLHs planned to be executed in support of known and projected customer requirements during execution of the budget.

2. Total costs estimated to be incurred in execution of this work load will also be projected. This process should include application of general inflation, pay raise, and other inflation or DoD(C)-directed price adjustments, as specified in the DoD(C) budget formulation Budget Call. The sum of all these costs (including supplies, materials, pay, depreciation, and other charges, etc.) is the estimate of the total cost of goods sold.

3. Customer requirements must be projected and separately identified to include: current (on hand) unfilled customers orders expected to be executed during the budget year (carry-in or backlog), and work in process that will be completed; new orders anticipated to be accepted and executed during the budget year; and orders anticipated to be accepted but will not be executed during the year (anticipated carry-over).

4. Work load mix, availabilities, and production schedules must be assessed, along with any other factors that may impact program outputs such as policy changes, productivity initiatives, planned work load competitions, plant capacity, and other factors. Based on this analysis the total anticipated work load both by major work load category (or product), and the

associated Direct Labor Hours needed to accomplish this work during the program year will be identified and reported.

5. Total costs required to execute the planned program to produce the outputs in the approved execution program will be identified and reported in budget exhibits, with significant changes from the prior year highlighted in the Exhibit Fund-2, Changes in the Costs of Operations.

6. To determine program financing requirements and initial rates, the estimate of the total cost of goods sold will be divided by the programmed output (total Direct Labor Hours), to identify an initial cost per direct labor hour.

7. The number of DLHs associated with carry-in work load (unfilled customer orders on hand at the start of the year), times the prior year stabilized rate (rate in effect when the carry-in orders were accepted) will be identified. Since this work load is already financed, its DLHs and associated dollars will be subtracted from the FY total DLHs and Cost identified in step 5 above.

8. The orders anticipated to be accepted but not recognized as revenue during the fiscal year (the carry-over) will be identified in the same manner as the carry-in orders. The initial cost per direct labor hour for these carry-over DLHs (set in step 5 above) will be inflated in accordance with DoD(C) guidance for the following fiscal year when the work will actually be executed. The value of this additional inflation cost for these carry-over DLHs will be added to the total program base cost identified in step 4.

9. The revised base cost from step 7 above, plus the additional inflation cost for carry-over orders will be divided by the total number of DLHs associated with new program orders planned to be accepted whether scheduled to be worked or carried-over to the next fiscal year (all orders planned for acceptance or execution in the fiscal year program except unfilled customer orders that were carried-in to the fiscal year). The resulting cost per direct labor hour should be used as the basis for the DoD Components' proposed initial rate. The proposed initial rate is adjusted for prior year gains or losses necessary to achieve an end-of-year AOR of zero for the budget year.

The end result is a proposed New Customer Order Stabilized Rate.

10. Components may develop, report, and use subsidiary rates (engine rate, airframe rate, missile rate, etc.) as long as these subsidiary rates are rolled into a single composite rate for business area rate setting.

090205 Submission Requirements

A. All businesses, except Supply Management, operating within the Fund or under Unit Cost will provide a Summary by Component. For part I, each Component will provide a summary of the operating and capital budget for all of its business areas (except Supply Management) included in the Fund. In part II (work load assumptions), part III (productivity assumptions), and part IV (performance measures) by business area, summarized data will be provided to show the basis for unit cost and price estimates underlying the preparation of other schedules.

Component Business Area Narrative Analysis - For each business area, the Component will submit a narrative analysis that, as a minimum, addresses the following areas: a general description of the business area, its outputs and customers, and significant changes in the nature of the business over the period encompassed by the President's budget submission; an analysis of the budget statements covering revenue and expenses, costs of operation, and the statement of financial condition. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; an analysis of any special business-type schedules requested in the Budget Call letter; and a discussion of work load and manpower trends, productivity initiatives/cost reductions, unit costs, and customer prices incorporated in business area budgets.

B. Section 090203 listed submission requirements for Supply Management and Section 090204 listed submission requirements for the remaining business areas.

D. Budget Submission Formats are provided in Section 0904.

0903 CONGRESSIONAL
JUSTIFICATION/PRESENTATION

090301 Purpose

This chapter provides the policies and procedures to guide the development of budget justification and supporting narrative to be submitted by Components to the DoD Comptroller in development of congressional justification material. The DoD Comptroller will prepare the executive overview. Each Component will prepare a separate volume including their operating and capital budgets for direct submission to the Congress following review and approval by the DoD Comptroller. The Defense-wide volume material will be prepared by each Defense Agency and submitted to DoD(C), Revolving Funds Directorate, for review and approval prior to submission to DLA. DLA, with appropriate support from the submitting organization, will assemble the volume containing Defense-wide businesses and supervise its printing and distribution.

090302 Organization of Justification Books

A. Background

1. The OSD/OMB budget review focuses on a set of business-type schedules as a means of evaluating progress towards meeting cost and productivity targets, developing (with Component financial management personnel) unit cost goals by business area and setting prices for the budget year(s).

2. The Budget Call for budget justification and supporting narrative will request that selected Fund schedules be updated for inclusion in congressional justification material.

3. All data submitted for the President's budget should be consistent with approved costs, work load and productivity assumptions, customer prices, and unit costs. Any deviation from the approved level must be completely justified and coordinated with the appropriate Revolving Fund Directorate business area analyst.

4. The justification books submitted to Congress are to be unclassified, will be in one volume organized into three sections:

Component Overview, Operating Budget, and Capital Budget.

5. Justification books should follow the guidance contained in the DoD Financial Management Regulation, volume 2, paragraph 010401 for preparation of budget materials to Congress.

6. Financial exhibits required by Chapter 9 will agree with the *Annual Financial Statements required by the Chief Financial Officers Act of 1990*. Proposed deviations from data reported on the *Annual Financial Statements* are to be coordinated with the Revolving Funds analyst responsible for the affected business area.

B. Executive Overview

1. The Executive Overview will be prepared by the DoD Comptroller and will address congressional concerns, changes proposed in the budget year, and summary information. The purpose of the Executive Overview is to provide a digest of trends and financial data that will allow the reader to quickly grasp how the Fund has performed in the immediate past and its expected future performance.

C. Component Operating and Capital Budgets

1. Component Overview: This volume summary section and other Component justification will be submitted to Congress during February. The Component summary will consist of individual Component inputs in the following main sections:

a. Component Business Area Narrative Analysis - For each business area, the Component will submit a narrative analysis that, as a minimum, addresses the following areas a general description of the business area, its outputs and customers, and significant changes in the nature of the business over the period encompassed by the President's budget submission; an analysis of the budget statements covering revenue and expenses, costs of operation, analysis of government equity, and the statement of financial condition. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; an analysis of any special business-type schedules requested in the Budget Call letter; and

a discussion of work load and manpower trends, productivity initiatives/cost reductions, unit costs, and customer prices incorporated in business area budgets.

b. Budget Statements - The Component will submit summary budget statements requested to support the external budget submission.

c. Special Schedules - For the Supply Management business areas, the narrative must include a section on work load and economic assumptions. These assumptions must include the following data for the prior, current, and budget fiscal years: items managed (#), requisitions received (□), receipts (#), issues (#), contracts executed (#), purchase inflation (%), and supply material availability (%).

2. Component Operating Budget: For each business area, the Component will submit a narrative description that explains the business area as well as the budget statements indicated in Section 0904.

0904 BUSINESS AREA ANALYSIS FORMATS

090401 Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. These formats should be adhered to unless modified in a submission budget call.

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INSTRUCTIONS FOR PREPARATION OF
SUPPLY MANAGEMENT SUMMARY (EXHIBIT SM-1)

The purpose of the SM-1, Supply Management Summary by Division, is to provide summary justification for the Service or Defense Agency request. Instructions for preparation of SM-1 and SM-1a follow:

1. Prepare the SM-1 for each year being reviewed.
2. Dollars in millions and tenths of a million.
3. Both approved and proposed should be shown if they differ.
4. Peacetime Inventory will reflect the numbers shown on SM-2, line 6C.
5. Net Customer Orders will reflect the numbers shown on SM-2, line 2B.
6. Net Sales will reflect the numbers shown on SM-2, line 1.
7. Obligation Targets will reflect the targets shown on SM-2, lines 3A, 3B, 3C, 3D, and 3E. An obligation target total will be shown and be equal to line 3F of the SM-2. Only obligations will be shown on this form. Any other cost data, such as depreciation, will not be shown on this form.
8. Other Obligation Target includes appropriated dollars for any purpose other than mobilization.
9. Commitment Targets will reflect the numbers shown on SM-2, line 4.
10. Target Total will reflect the numbers shown on SM-2, line 5.

FY _____ Budget (DoD Component) SUPPLY MANAGEMENT Justification by Division	DIVISION				DATE	
	FY__	FY__	FY__	FY__	FY__	FY__
1. NET SALES						
2. CUSTOMER ORDERS						
a. GROSS CUSTOMER ORDERS						
b. NET CUSTOMER ORDERS						
3. OBLIGATION TARGETS						
a. OPERATING (except repair of DLRs)						
b. REPAIR OF DLRs						
c. PROVISIONING						
d. MOBILIZATION						
e. OTHER						
f. TOTAL						
4. COMMITMENT TARGET						
5. TOTAL AUTHORITY						
6. PEACETIME INVENTORY						
a. OPERATING INVENTORY EOP						
b. OTHER INVENTORY EOP						
c. SUBTOTAL PEACETIME INVENTORY						
7. MOBILIZATION INVENTORY EOP						
8. TOTAL INVENTORY EOP						
9. GENERAL DESCRIPTION						
10. NUMBER OF ITEMS MANAGED						
11. MEASURE OF EFFECTIVENESS						
12. OPERATING TEMPO (Flying hours by aircraft type, steaming days, etc.)						
13. NARRATIVE EXPLANATION						

Exhibit SM-2 Justification by Division

INSTRUCTIONS FOR PREPARATION OF
GENERAL NARRATIVE JUSTIFICATION (EXHIBIT SM-2)

The purpose of the General Narrative Justification, SM-2 is to provide the basic justification for the budget request. Instructions for preparation of SM-2, General Narrative Justification follows:

1. Prepare an SM-2 for each supply management material division except for the Defense Logistics Agency and the Army, which may submit a consolidated statement for the retail divisions for the President's budget and the apportionment and midyear review. No summary SM-2 is required. An SM-2 is not required for a supply operations division.

2. Dollars in millions and tenths of a million except the Air Force Academy Division exhibits will be prepared in thousands.

3. For Net Sales use reimbursable issues minus stock fund credits and allowances (line 1). Amount entered will agree with the amount entered on SM-1.

4. For Gross Customer Orders (Demands) use gross sales (reimbursable issues) plus or minus the change (from the prior year) in unfilled orders (line 2A). An unfilled order is an unsatisfied requisition which upon issue of the material will become a sale. For Net Customers Orders (line 2B) subtract credits and allowances.

5. Obligation Targets will be divided into Operating less Repair of DLRs (line 3A), Repair of DLRs (line 3B), Provisioning (line 3C), Mobilization (War Reserves) (line 3D), and Other (line 3E). Other obligation include appropriated dollars for any purpose other than mobilization. These categories may be subdivided if approved by OSD. The total requested by division will reflect the total obligations shown on the Program and Financing Statement for the OSD/OMB Review and the President's budget. See definitions of terms Section 090203, Supply Management Business Areas, for description of categories.

6. Commitment Targets will provide an administrative reservation of authority which when approved authorizes the supply management business area to incur additional obligations on a dollar-for-dollar basis if customer orders (demands) increase without the requirement for a revised apportionment and reapportionment request. Commitment targets will also provide for normal unobligated end-of-year commitments (line 4).

7. Total Authority (line 5) is the total of obligations (line 3F) and commitment target (line 4).

8. Operating Inventory EOP (End Of Period) is the total applicable peacetime on hand and in transit inventory at standard price (include any provisioning inventory on hand or in transit) (line 6C). Peacetime inventory EOP (End Of Period) is the total Operating Inventory (line 6A) and Other Inventory (line 6B). Mobilization Inventory is shown on line 7. Total Inventory is line 6C plus line 7.

9. General Description (item 9) is a short narrative describing what the supply management division covers and supports.

10. Number of Items Managed (item 10) should provide quantitative data and narrative explanation of major changes.

11. Measures of Effectiveness (item 11) should provide quantitative data and narrative explanation of major changes in measures of supply effectiveness. The following measures of effectiveness will be used

Percent stock availability (fill rate)--The number of units requisitioned that are immediately available expressed as a percent of the total units demanded for the period. This percent should be shown for both the wholesale and the retail level of supply.

Requisition delay time--The length of time between the date a supplier receives a requisition for an item and the date he ships the item. This should be expressed as a number of days for all stock funded items.

Mission capable rate supply--The number of weapon systems either fully or partially mission capable because of a stock funded item expressed as a percent of the total number of weapon systems. This measure should be shown for each major weapon system.

Quality Deficiency Reports (QDRs)--This measures the percentage of discrepancies in customer receipts in comparison to total item issuances by the ICP (in response to customer requisitions). It is a measure of customer satisfaction.

QDR Processing Time--This measures the time interval from ICP receipt of QDR to the issuance of corrective action. It is a measure of timeliness and customer satisfaction.

12. Operating Tempo Assumptions (item 12) should provide quantitative data such as flying hours (by aircraft type), steaming days, programmed overhauls, training days, etc., which may impact the supply management division's requirements.

13. Narrative Explanation (item 13) should cover an explanation of major changes between fiscal years as well as in the relationship between sales, orders (demands), and obligations.

FY ____ (DoD Component) BUDGET SUPPLY MANAGEMENT Operating Budget	DIVISION			DATE	
	(Dollars in Millions)				
	FY ____	FY ____	FY ____	FY ____	FY ____
A. INVENTORY REQUIREMENT (Standard Price)					
1. Operating Requirement					
a. New Customer Orders (Net)					
b. Unfilled Orders (BOP)					
c. Operating Objectives					
d. Other, including Provisioning (List)					
e. Total					
2. Mobilization					
3. Other					
4. Total Inventory Requirements					
B. APPLICABLE RESOURCES (Standard Price)					
1. ON HAND BOP					
2. CHANGES DURING PERIOD					
3. ON ORDER BOP					
4. TOTAL APPLICABLE RESOURCES					
C. REQUIREMENT (Standard price)					
1. TOTAL REQUIREMENT (Standard price)					
2. SURCHARGES (-)					
D. FUNDING REQUIREMENT (At Cost)					
1. FUNDING REQUIREMENT AT COST					
2. TRANSPORTATION COST (+)					
3. REPAIR COST (+)					
4. OTHER (List)					
5. TOTAL FUNDING REQUIREMENT					
6. UNFUNDED OPERATING REQUIREMENT					
7. UNFUNDED MOBILIZATION PROTECTABLE					
8. UNFUNDED PROVISIONING & OTHER PROTECTABLE					

Exhibit SM-3a Operating Budget

FY ____ (DoD Component) BUDGET		DIVISION			DATE	
SUPPLY MANAGEMENT Operating Budget (Continued)		(Dollars in Millions)				
		FY____	FY____	FY____	FY____	FY____
E. COMMITMENT TARGET (At Cost)						
F. OBLIGATION TARGET (At Cost)						
1. OPERATING (Includes DLR repair)						
2. PROVISIONING						
3. OTHER						
4. MOBILIZATION						
5. TOTAL						
G. BASIS OF OPERATING OBJECTIVES (Standard Price)						
1. SAFETY LEVEL	dollars					
	days					
2. ADMINISTRATIVE LEADTIME	dollars					
	days					
3. PRODUCTION LEADTIME	dollars					
	days					
4. PROCUREMENT CYCLE	dollars					
	days					
5. OPERATING LEVEL	dollars					
	days					
6. REPAIR CYCLE	dollars					
	days					
7. OTHER OBJECTIVES (List)	dollars					
	days					
8 TOTAL OPERATING OBJECTIVES						
H. NARRATIVE EXPLANATION (Indicate item number to which explanation applies. If more space is needed, attach additional pages.)						

INSTRUCTIONS FOR PREPARATION OF
OPERATING BUDGET REQUIREMENTS (EXHIBIT SM-3a)

The purpose of the SM-3a, Operating Budget Requirements is to provide backup information to support the obligations. Instructions for preparation of the SM-3a:

1. Prepare an SM-3a for each supply management material division except for the Defense Logistics Agency and the Army, which may submit a consolidated statement for the retail divisions. An SM-3a is not required for a supply cost of operations division. For the requested columns for the current year, display estimated actuals. For budget year and budget year plus one display revised request.

2. Dollars in millions and tenths of a million except the Air Force Academy Division exhibits will be prepared in thousands.

3. See Section 090203, Supply Management, for definitions of inventory categories.

4. Operating Requirements (line A1E) should include the total requirements for new customer orders (demands), unfilled orders at the beginning of the period, operating inventory requirement to replace sales, and others (listed and explained as necessary) at standard price.

5. Mobilization Requirement (line A2) should be the funded requirement as of the end of the period. Show unfunded mobilization requirement on line D7.

6. Total Inventory Requirement (line A4) should be the total of lines A1E, A2, and A3.

7. Applicable Resources should be shown in Section B.

8. Requirement (Standard Price) is shown on line C1. Line C1 is line A4 minus line B4. Line C2 is the surcharges amount included in line C1.

9. Line D1, Funding Requirement at Cost, is line C1 minus line C2. It includes obligations plus commitments for inventory requirements. Lines D2 through D4 are other obligation requirements for noninventory requirements. Line D5 is the total obligation requirement (the sum of D1 through D4). Line D6 is any unfunded operating requirement included in D5. (Explain in narrative.) D7 will reflect line 4C on SM-3C. D8 will reflect line 6B on SM-3a.

10. Line F5 is the total obligation target, line D5 minus lines D6 through D8 and E, and will agree with SM-2 (line 3F) total obligation target.

11. Basis of Operating Objectives. (Section G) This section contains an analysis in financial terms of peacetime on-hand and on-order objectives for the end of the past year, current year, and the budget year. Objectives will be based on subsequent fiscal year estimated demands, and will be constructed by element (e.g., safety levels, production leadtime, review cycle, repair cycle, and the like). Column 1 will reflect the actual end-of-period objectives for the past fiscal year.

The purpose of this exhibit is to portray statistically computed supply inventory objectives which will be used to test the reasonableness of the total inventory objectives computed by means of the simulation-of-buy stratification process. Substitute formats may be used provided they present

substantially the same information, and provided that prior approval for substitution is obtained from the Director for Revolving Funds, USD(C).

The following is an explanation of specific entries.

a. Safety Level. (Days/Dollars) This entry will reflect the relationship between the dollar value of issues/transfers, and the dollar value of the safety level, to the average number of days of supply contained in the safety level. Requirements for numeric stockage objectives are excluded. Provision is made for more than one echelon of supply by permitting the safety level at the highest echelon to consider, in addition to issues, transfers to lower echelons. This section is applicable to both repairable and consumable items. The narrative should describe significant changes in safety level requirements or average days from one fiscal period to the next period.

b. Leadtime. (Days/Dollars) The requirement to support demands (requiring replacement through acquisition) over the acquisition leadtime period of procurement or order and ship time, depending on the echelon of supply, is included in this entry. No leadtime requirement is to be included for issues replaced through the repair cycle or for issues which will not be replaced. Therefore, these types of issues are subtracted from gross demands in the computation. The narrative should describe significant changes in leadtime requirements or average days from one fiscal period to the next period.

c. Procurement Cycle/Operating Level. (Days/Dollars) The procurement cycle applies to the first echelon of supply. This requirement supports demands from the end of the fiscal year until the next scheduled procurement. For each fiscal year it represents the dollar value of that portion of the procurement cycle which requires funding during that fiscal year. The operating level applies to the second echelon of supply. The operating level requirement support demands during the interval, between arrival of successive replenishment shipments. Only one-half of the dollar value of the operating level requirement is included here since it is assumed that on the average one-half of this requirement would be on order at any given period in time.

No procurement cycle or operating level requirement is to be included for issues replaced through the repair cycle. The narrative should describe significant changes in procurement cycle/operating levels or average days from one fiscal period to the next period.

d. Repair Cycle. (Days/Dollars) This entry will consist of the requirement for material to be on hand at the end of the fiscal year to accomplish repair operations during the repair turnaround period. This will include the time interval required to generate, through returns, sufficient stocks of an item to warrant an economical repair work order (accumulation time), and the time interval between approval of a work order for repair until the item is reclassified as serviceable (repair leadtime). The repair cycle will consist of the time interval between pickup of the unserviceable item on inventory control records and the time when the item is reclassified as serviceable. In those instances where asset visibility has been extended below the wholesale (first) echelon of supply, repair cycle requirements should include the full range of funding needed to support the visible portions of the repair cycle as first echelon requirements. A repair cycle for both a first and second echelon of supply should be described in those cases where the requirements process does not comprehend all repair cycle requirements within the first echelon. The narrative should describe significant changes in repair cycle requirements or average days from one fiscal period to the next period.

e. Other Operating Inventory Objectives. (Days/Dollars) Objectives included here will be limited to those which cannot be properly assigned to any of the objectives identified above. The narrative analysis will include appropriate data to support each objective listed under this classification. This entry excludes requirements/funding for peacetime inventory augmentation or mobilization. The narrative should describe significant changes in other operating inventory objectives from one fiscal period to the next period.

f. Total Operating Inventory Objective. (Days/Dollars) This entry is the sum of total computed on-hand and on-order peacetime operating inventory requirements as of the end of each fiscal period. (Sums of lines G1 through G7.)

12. Narrative. This provides a narrative explanation of significant changes. Also, this narrative provides a presentation of the adjustment required to the basic stratification tables prescribed by DoDI 4140.24 in order to adjust the basic data or to add data not considered. A detailed explanation of operating obligation requirements in excess of orders will be provided. The narrative should describe significant revisions or additions to the stratification tables which provide the basis for budget review and analysis. Individual statements for each budget submission should be prepared for each budget category.

INSTRUCTIONS FOR PREPARATION OF
OPERATING REQUIREMENT BY WEAPON SYSTEM (EXHIBIT SM-3B)

The purpose of the SM-3B, Operating Requirement by Weapon System is to provide a breakout of the operating obligation request by type of supply system action (procurement versus repair) and by weapon system or category.

1. For the OSD/OMB budget review, prepare SM-3B for each Service stock fund wholesale division which provides military spare parts. (This excludes fuel, medical/dental, subsistence, etc.). For each division, one Exhibit SM-3B should be prepared for each fiscal year (CY, BY1, BY2).

2. Definitions.

a. Basic Replenishment consist of the sales replacement spares.

b. Outfits are initial outfittings to support a new weapon system or modification to an existing weapon system. This material is anticipated to be sold to an appropriated outfitting (buy-out) account which finances the lay-in of authorized allowances at the outfitting site.

c. Special Programs are instances where special management action is required, such as a Service initiative responding to abnormally high wear-out rates.

d. Basic Rework is repair obligations for sales replacement.

3. Dollars in millions and tenths of a million. Weapon systems, as defined by the applicable Service, may be aggregated into categories when individual systems are less than \$25 million. Appropriate levels of aggregation will be approved by the Director for Revolving Funds. Common parts maybe grouped by category such as radios or may be allocated to specific systems such as F-16 aircraft. Obligational authority requests for nonweapon system-related requirements such as reverse engineering and forgings & castings must be separately identified.

4. Estimated data maybe used and noted as such until accurate systems can be developed to provide accurate data.

5. This form will be prepared at latest acquisition cost or repair cost as appropriate.

FY _____ BUDGET <hr/> (DoD Component) Date:	MOBILIZATION REQUIREMENT BY DIVISION (Dollars in Millions)					
	CY	BY1	BY2	BY3	BY4	BY5
1. REQUIRED						
a. PREPOSITIONED						
b. SUSTAINING						
c. TOTAL						
2. ASSETS						
a. PREPOSITIONED						
b. SUSTAINING						
c. TOTAL						
3. FUNDED DEFICIT						
a. PREPOSITIONED						
b. SUSTAINING						
c. TOTAL						
4. UNFUNDED DEFICIT						
a. PREPOSITIONED						
b. SUSTAINING						
c. TOTAL						
5. NARRATIVE						

Exhibit SM-3c By Division

INSTRUCTIONS FOR PREPARATION OF
MOBILIZATION REQUIREMENT (EXHIBIT SM-3C)

The purpose of the SM-3C, Mobilization Requirement is to provide a breakout of the funded and unfunded mobilization requirement.

1. Prepare SM-3C for each supply management division which has a mobilization requirement.
2. Dollars in millions and tenths of a million.
3. Provide for current year through FYDP. Only totals for each category (1 through 4) need be shown for FYDP years.
4. Show all data at cost.
5. See Section 090203, Supply Management, for definition of prepositioned. All other war reserve requirements will be included under sustaining.
6. The unfunded deficit is that portion of the total requirement for which no funds are available. The total requirement will encompass the minimum number of days specified in the Defense Guidance. Explain in narrative any constraints not due to funding.

FY	BUDGET	DIVISION		DATE	
SUPPLY MANAGEMENT		(Dollars in Millions)			
(DoD Component) INVENTORY STATUS		TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER
1. INVENTORY BOP					
2. BOP INVENTORY ADJUSTMENTS					
a. RECLASSIFICATION CHANGE (Memo)					
b. PRICE CHANGE AMOUNT (Memo)					
c. INVENTORY RECLASSIFIED AND REPRICED					
3. RECEIPTS AT STANDARD					
4. SALES AT STANDARD					
5. INVENTORY ADJUSTMENTS					
a. CAPITALIZATIONS + or (-)					
b. RETURNS FROM CUSTOMERS FOR CREDIT +					
c. RETURNS FROM CUSTOMERS WITHOUT CREDIT					
d. RETURNS TO SUPPLIERS (-)					
e. TRANSFERS TO PROPERTY DISPOSAL (-)					
f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)					
g. OTHER (LIST/EXPLAIN)					
h. TOTAL ADJUSTMENTS					
6. INVENTORY EOP					
7. INVENTORY EOP, REVALUED (LAC, DISCOUNTED)					
a. ECONOMIC RETENTION (Memo)					
b. CONTINGENCY RETENTION (Memo)					
c. POTENTIAL DOD REUTILIZATION (Memo)					
8. INVENTORY ON ORDER EOP (Memo)					
9. NARRATIVE (Explanation of unusual changes)					

Exhibit SM-4 Inventory Status

INVENTORY STATUS (EXHIBIT SM-4)

The purpose of the Inventory Status, SM-4 Exhibit is to show estimated inventory levels that will result from the proposed budgets and operating levels. Prepare SM-4 for each budget submission or review. This report shall be submitted for the prior fiscal year, the current fiscal year to date, the total current year, and the budget year for each supply management division. For each fiscal year, the form will be prepared at standard price. Line 7 will show the ending inventory converted to cost with discounting factors for repair cost and salvage value applied as appropriate. A consolidated summary for the total fund will be prepared for the OSD/OMB Review. The prior fiscal year and the current fiscal year to date exhibits shall reflect in column (1) the amount, at standard price, from supply management general ledgers used in preparation of fiscal and accounting reports. Amounts in columns (2), (3), and (4) may be statistically derived based upon related inventory stratification reports. Instructions for preparation of SM-4 Inventory Status at standard price areas follows:

1. Inventory, BOP at Standard Price. (Beginning of Period) Amounts of inventory on hand and in transit reported must equal amounts reported as of the end of the prior year. If not, explain any difference in a footnote. The Component must have title to all inventory listed here.

2. Inventory, Repriced at New Standard Price. Stratified inventory, valued at new standard price. Memorandum entry for amount due to price change (line 2B) and for change due to reclassification (line 2A) will be shown. Reclassification nets to zero in total column.

3. Receipts. Add the amount of inventory value on which title has passed or will pass to the reporting supply management division during the period of the report. Use standard price.

4. Gross Sales. Material sold to customer during the period of the report at standard price.

5. Inventory Adjustments.

a. Capitalization (Net). Report at standard price the inventory value of material capitalized or recapitalized during the period of the report. Show a net decapitalization with (-) preceding value.

b. Returns from Customers for Credit. Show the cumulative amount of material returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit has been given. Use standard price.

c. Returns from Customers without Credit. Show the cumulative amount of material returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit was not given. Use standard price.

d. Returns to Suppliers. Show as a negative number the cumulative amount of material returned to supplier during the period of the report. Use standard price.

e. Transfers to Property Disposal. Show the net amount of material transferred to/from the Defense Reutilization and Marketing Service (DRMS) on which title has been passed to DRMS. Use standard price.

f. Issues/Receipts Without Reimbursement. Show the net cumulative amount of material issued or received without reimbursement during the period of the report. This item could include transfers from other divisions or material categories, etc., as required. Show net issued with (-) preceding value. Use standard price.

g. Other Adjustments. Identify and report the amounts of other adjustments to inventory. Include all other adjustments to inventory such as adjustments to record for physical inventory count and extraordinary losses (fire, weather). Explain with footnotes if necessary. Show (+) or (-) as appropriate. Use standard price.

h. Total. Add 5a through 5g.

6. Inventory EOP. (End of Period) Report the amount of inventory available as of the end of the reporting period. Includes all on hand, in transit, work-in-process, and other stocks on which title is rested in the reporting stock fund division. Use standard price.

7. Inventory EOP at Approved Valuation Method. Convert the inventory at standard price in line 6 to latest acquisition cost. Then apply the discounting factors for repair cost and salvage value as appropriate. Provide breakout of Peacetime Other Inventory (column 4, line 6) value as economic retention, policy retention, potential excess, and other for OSD/OMB review only.

8. Inventory on Order, EOP at Cost. (End of Period) Report the amount of peacetime (operating and other) and mobilization undelivered orders (excluding in transit) for material outstanding at the end of the period.

**Supply Management
Wholesale Only - Surcharge Calculation**

DIVISION/ICP	(\$M) PY	(% of Sales) PY	(\$M) CY	(% of Sales) CY	(\$M) BY1	(\$ of Sales) BY1	(\$M) BY2	(% of Sales) BY2
Composite								
1. Sales at LAC/LRC								
2. Surcharge Elements								
a. Supply Ops Obs (May List)								
b. Distribution Depot Obs								
c. DLSC/DASSO/DRMS Obs								
d. DFAS Obs								
e. Depreciation								
f. Material Inflation Adjustment								
g. Loss/Obsolescence Obs								
h. Condemnation Obs								
i. Transportation Obs								
j. Capital Surcharge								
k. AOR Recovery								
l. Other (List)								
m. Total Surcharge								

Exhibit SM-5a Wholesale Only - Surcharge Calculation

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-5a
SURCHARGE COMPUTATION

The purpose of the SM-5a, Surcharge Computation Exhibit, is to show the surcharge elements for the wholesale divisions of supply management business areas. This form will be prepared for each wholesale division. Each Service/Agency will provide a consolidated form for the sum of all wholesale divisions managed by that Service/Agency.

1. The Defense Logistics Agency (DLA), the Army, the Navy, and the Air Force will provide the estimated surcharge and customer price changes on this form and the SM-5B, Customer Price Change, that will be reflected in the upcoming budget years to OUSD(C) by August 1. OUSD(C) will review these estimates and distribute pricing factors to all Components in seven working days after receipt of these products.

2. On line 1 of the form, enter net sales at cost for that wholesale division. If the division is consumable, the sales at cost should be at latest acquisition cost (LAC). For example, in *estimating FY 1998 costs, FY 1996 contract prices plus FY 1997 inflation* should be used. If the division is repairable, separate exhibits should be prepared for sales at standard price and sales at exchange price. For the estimated sales at standard price, the net sales reflected should represent sales at LAC. (Note: Since Air Force pricing computation modules can compute only forecast acquisition price, the Air Force must manually compute the difference between latest acquisition cost and forecast acquisition price and provide that computation for review with the rest of the exhibits required. That calculation of latest acquisition cost will be used as sales at cost in the Air Force budget exhibits). For sales at exchange price, the net sales reflected should represent sales at latest repair cost (LRC). For example, in setting FY 1997 prices, FY 1996 repair prices *plus approved depot rate changes* should be used. The surcharge elements described below should be allocated to sales at standard price or sales at exchange price. There should also be a composite exhibit for repairable that sums both the sales at LAC and LRC and the surcharge elements. For the Current Year (CY) the sales at cost should reflect the number approved in the President's budget for that fiscal year. This is the only form in which President's budget approved numbers are required. All other forms will reflect actual, estimated actual, or new projections as appropriate. For the BY1/BY2 the sales at cost should reflect the Components' best estimate of sales for that fiscal year including the approved inflation for that fiscal year only. On this line do not fill out the percent of sales column. For the composite supply management surcharge, the net sales at cost line will be comprised of a mix of consumable and repairable sales at LRC and LAC based on the estimated standard price and exchange price sales.

3. On line 2A enter obligations for supply operations approved in the President's budget for the CY less other supply operations obligations separately identified such as distribution depots obligations and transportation obligations. For the BY1/BY2 enter the estimated obligations for the budget year less obligations reflected under other categories. For the percent of sales column, divide the dollar amount in each category by the sales at cost in line one for each column. Inflation for each fiscal year should be included in the obligations cited for each surcharge element. At Component discretion, obligations for supply operations maybe further broken down and displayed on this form.

4. On line 2B enter obligations to reimburse DLA distribution depots for receipts and issues approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations to reimburse DLA distribution depots for receipts and issues. Work with DLA as you develop your rates to identify the number of receipts and issues and the price DLA plans to charge in estimating the budget year amount. During the budget review these estimates will be adjusted based on the budget decisions.

5. On line 2C enter obligations to reimburse DLSC, DAASO, and DRMS approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations to reimburse DLSC, DAASO, and DRMS. Work with DLA as you develop your rates to determine the amount of funding required to support these

activities in the budget year. During the budget review these estimates will be adjusted based on the budget decisions.

6. On line 2D enter obligations to reimburse DFAS for accounting services approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations to reimburse DFAS. Work with DFAS as you develop your rates to identify the obligations required to reimburse DFAS for the budget year. During the budget review these estimates will be adjusted based on the budget decisions.

7. On line 2E enter depreciation expense approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated depreciation expense.

8. On line 2F enter the obligational impact associated with the approved inflation related to material for the PY and CY. For the BY1/BY2 inflation should be calculated based on several factors: (1) actual experience over production leadtime preceding the CY setting of prices; (2) approved inflation over the production leadtime preceding the CY setting of prices; and (3) a combination of these two factors based on an estimation of the gain/loss resulting from the inflation estimate in prior year price setting. Inflation for supply operations and other surcharge elements should be included within the supply operations element listed above.

9. On line 2G enter the obligations required to replace items that have either been lost, pilfered, or have become obsolescent approved in the Presidents budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations associated with replacing items that have become lost or obsolete. If the carcass return rate is less than 100 percent for repairable, obligations required to replace items should be included in this category.

10. On line 2H, for repairable items only, enter the obligations required to replace items that have attrited through the repair process approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations associated with replacing items that have attrited in the repair process. Attrition for repairable items occurs on items that have been sold at exchange price. Subsequently, the items wash out in the repair process and some must be replaced.

11. On line 2I enter the obligations required for first and second. destination transportation of secondary items approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations associated with transportation of secondary items. Obligations for first destination transportation of secondary items should only be included as a surcharge element if not included in the price of the item.

12. On line 2J enter the capital surcharge required to support disbursements for capital investments that will not be covered by depreciation approved in the President's budget for the PY and the CY, For the BY1/BY2 enter anticipated surcharge amount required to support disbursements for capital investments that will not be covered by depreciation. Capital surcharges to support JLSC disbursements must be included. Work with USD(C) as you develop your rates to determine how much should be included in your rates for JLSC.

13. On line 2L enter the amount added to prices to adjust for prior year gains/losses approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated surcharge amount required to adjust prices for prior year gains/losses. This estimate for the BY1/BY2 must be based on actual PY results and revised CY estimates in the President's budget.

14. This form is not intended to limit the Component in the display of surcharge elements. The Other (List) category permits the Component to display other costs as required.

15. On line 2M sum up line 2A through 2L across the columns.

Note: 1/ Exclude direct reimbursable costs such as tenant base support. Identify the amount excluded by footnote on this form.

SUPPLY MANAGEMENT
Wholesale Only
Customer Price Change

	CY	BY1	BY2
1. Net Sales at Cost			
2. Less: Material Inflation Adj.	XXXXXXXX		
3. Revised Net Sales at Cost	XXXXXXXX		
4. Surcharge (\$)			
5. Change to Customers			
a. Previous Year's Surcharge (%)			
b. This year's Surcharge and material inflation divided by line 3 above (\$)			
c. Percent change to customer			

Line 1. On this line enter the net sales at cost for each fiscal year. The dollar value on this line should match the net sales at cost line on the composite line 1, SM-5A *and include an estimate for material inflation.*

Line 2. This line should have the dollar value of the material inflation adjustment applicable between the previous year and the fiscal year of the column, i.e., in the budget year column, enter the amount of material inflation included in line 1 *between BY and CY.*

Line 3. Subtract line 2 from line 1.

Line 4. Enter the surcharge (\$) for that fiscal year from the SM-5A, i.e., for the budget year enter the composite total surcharge for line 2M of the SM-5A.

Line 5a. Enter the percentage (decimal) of the previous fiscal year's surcharge, i.e., for the budget year enter the percentage (decimal) from the CY line 2M of the SM-5A.

Line 5b. Add together line 4 and line 2. Divide the total of line 4 and line 2 by line 3 to get the entry for this line.

Line 5c. Divide line 5b plus one by line 5a plus one and subtract one from the result.

Exhibit SM-5b Customer Price Change

FY _____ (Business Area) (DoD Component)	COLLECTION/DISBURSEMENTS WORKSHEET (Dollars in Millions)			
	OPERATING	OTHER	MOBILIZATION	TOTAL
1.				
a. BALANCE, BOP FY				
b. APPROPRIATIONS				
c. TRANSFERS				
d. COLLECTIONS				
e. DISBURSEMENTS				
f. NET OUTLAYS				
g. CASH, EOP				
2.				
a. BALANCE, BOP FY				
b. APPROPRIATIONS				
c. TRANSFERS				
d. COLLECTIONS				
e. DISBURSEMENTS				
f. NET OUTLAYS				
g. CASH, EOP				
3.				
a. BALANCE, BOP FY				
b. APPROPRIATIONS				
c. TRANSFERS				
d. COLLECTIONS				
e. DISBURSEMENTS				
f. NET OUTLAYS				
g. CASH, EOP				
4.				
a. BALANCE, BOP FY				
b. APPROPRIATIONS				
c. TRANSFERS				
d. COLLECTIONS				
e. DISBURSEMENTS				
f. NET OUTLAYS				
g. CASH, EOP				

Exhibit SM-8 Collections/Disbursements

INSTRUCTIONS FOR PREPARATION OF
COLLECTIONS/DISBURSEMENTS (EXHIBIT SM-8)

The purpose of the Collections/Disbursements Exhibit, SM-8 is to provide detailed backup for cash impacts. Instructions are:

1. The exhibit is required to be submitted with each budget submission or review. It may be determined based upon computation from amounts recorded in general ledgers, from memorandum records, or projections of recent experiences. Amounts shall be rounded to the nearest tenth of a million dollars. Prepare SM-8 for prior fiscal year and each succeeding fiscal year through the FYDP.

a. Prior Fiscal Year:

(1) Balance, BOP. Report the balance at the beginning of the period.

(2) Appropriations. Report the amount of appropriations realized in the prior fiscal year.

(3) Transfers. Report the amount of transfers from or to other funds during the prior fiscal year.

(4) Collections. Report the amount of collections received.

(5) Disbursements. Report the amount of disbursements made.

(6) Net Outlays. Report the amount of net outlays for columns 1 and 4 by subtracting the estimated collections line 1.d from expenditures line 1.e.

(7) Cash Balance, EOP. (End of Period). Report the fund balance as of the end of the reporting period.

b. Current Fiscal Year. Provide the same data as for the prior fiscal year, allowing balance EOP + BOP to compute based on transactions.

c. Budget Year. Provide the same data as for the current fiscal year.

d. Outyears. Provide the same data for the year following the budget year for the OSD/OMB Budget Review only.

2. Other Fund Balance (column 2) includes appropriated dollars for any purpose other than mobilization.

FY _____ BUDGET COMMODITY SUMMARY				A. Supply Management		B. AS OF (Enter date)	
	SPARE PARTS	SUBSISTENCE	CLOTHING	MEDICAL/ DENTAL	FUEL	OTHER	TOTAL
<u>CONTRACT AUTHORITY - SOURCE:</u>							
OPERATING PURCHASES FROM DIA							
OPERATING PURCHASES FROM OTHER STOCK FUND							
OPERATING PURCHASES FROM OWN STOCK FUND							
OPERATING PURCHASES FROM SUPPLIERS							
OPERATING COSTS							
TOTAL OBLIGATIONS							
<u>NEW APPROPRIATION (MEMO)</u>							
MOBILIZATION							
OTHER							
SALES - BY CUSTOMER							
TO NON-DOD AND FMS							
TO OWN STOCK FUND							
TO ARMY							
TO NAVY							
TO AIR FORCE							
TO MARINE CORPS							
TO OTHER DOD							
TOTAL SALES							

Exhibit SM-10 Commodity Summary

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-10
COMMODITY SUMMARY

The purpose of the SM-10, Commodity Breakout Chart, is to provide a breakout of Appropriation and Contract Authority including sales for each Service and the Defense Logistics Agency. This exhibit will be prepared in million of dollars and cover the prior, current, and budget year.

Total Cost Per Output Summary

Component: _____ **Business Area:** _____

Date: _____

(\$ in Millions)

Gross Sales
PY CY BY1 BY2

Unit Cost
PY CY BY1 BY2

Total Cost
PY CY BY1 BY2

Output
Operating Budget

Cost per dollar of sales

Divide Total Cost by
Gross Sales

Cost equals obligations
(except capital budget)
plus depreciation,
and credit returns.

Exhibit SM-16 Total Cost Per Output Summary

Summary of Price, Program, and Other Changes (Operating Budget) - Costs

Component: _____

Business Area: _____

Date: _____

(\$ in Millions)

	<u>Cost of Opns FY PY</u>	<u>Cost of Opns FY CY</u>	<u>Price Growth</u>	<u>Program & Other Changes</u>	<u>Cost of Opns FY BY1</u>	<u>Price Growth</u>	<u>Program & Other Changes</u>	<u>Cost of Opns FY BY2</u>
Military Personnel Compensation <i>(Fund-1a lines 010-050)</i>								
Civilian Personnel Compensation and Benefits <i>(including FNIH personnel) (Fund-1a lines 101-113)</i>								
Travel and Transportation of Personnel <i>(Fund-1a lines 301-307)</i>								
Material & Supplies (For Internal Operations) <i>(Fund-1a lines 401-422)</i>								
Equipment <i>(Fund-1a lines 502-550)</i>								
Other Purchases from Revolving Funds <i>(Fund-1a lines 601-699, except 633,634, and 671)</i>								
Transportation of Things <i>(Fund-1a lines 701-761)</i>								
Depreciation <i>(Fund-1a lines 802-805)</i>								
Printing and Reproduction <i>(Fund-1a lines 633 and 921)</i>								
Advisory and Assistance Services <i>(Fund-1a line 931)</i>								
Rent, Communications, Utilities, and Miscellaneous Charges <i>(Fund-1a lines 634, 671, 912, 913, 914, and 915)</i>								
Other Purchased Services <i>(All other Fund-1a lines)</i>								
Total Operating Budget ^Δ								
Less Depreciation								
Inventory Procurement Expenses (Supply Management Only)								
Total Obligations								

A/ For Supply Management Business Areas, Total Operating Budget is for supply operations only. All entries on this form are obligations except for the costs of depreciation.

Exhibit Fund-1 Summary of Price and Program Changes - Costs

Instructions for Preparation of Exhibit Fund-1
Summary of Price, Program, and Other Changes

This exhibit reflects the total operating costs (including reimbursements for non-Fund business areas) to accomplish the work load represented by all measured and unmeasured outputs. Measured outputs are those for which total costs for the output are estimated on the basis of the average total cost per unit. Unmeasured outputs are those remaining outputs which are expressed only in terms of total program costs. The operating budget will show depreciation for all capital benefiting the business area. Both the Summary Exhibit (Fund-1) and the Detail Exhibit (Fund-1a), which reflect the costs incurred to support sales activity, are required for all business areas except for Supply Management business areas. For Supply Management Business Areas, all entries on this form are obligations except for depreciation.

Details of Price, Program, and Other Changes (Operating Budget) - Cost
(\$ in Millions)

	<u>Cost of Operations FY -</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Percent Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY --</u>
<u>Navy Base Support Services</u>					<u>Component</u>
634 Public Works - Utilities					Navy
635 Public Works - Other					Navy
639 <i>Public Works (Composite Rate)</i>					Navy
637 Naval Shipyards					Navy
640 Marine Corps Depot Maintenance					Marine Corps
649 <i>Air Force Information Services</i>					<i>Air Force</i>
653 <i>Transportation (Airlift Services (Training))</i>					Air Force
<u>Depot Maintenance</u>					
661 Organic Operations					Air Force
662 Contract					Air Force
633 <i>Defense Printing Services (FY 1997 and out)</i>					<i>Defense</i>
647 <i>Defense Metacenters (DISA)</i>					<i>Defense</i>
650 <i>DLA Information Services</i>					<i>Defense</i>
651 <i>DFAS Information Services</i>					<i>Defense</i>
670 <i>Defense Automatic Addressing Systems</i>					<i>Defense</i>
671 <i>Communications Services (DISA)</i>					<i>Defense</i>
672 <i>Purchases From Pentagon Reservation Maintenance Revolving Fund</i>					Defense
673 <i>Financial Operations (DFAS)</i>					Defense
674 <i>Distribution Depots (DLA)</i>					Defense
675 <i>Defense Reutilization and Marketing Services (DRMS)</i>					Defense
676 <i>Defense Industrial Plant Equipment services (DIPEC) (FY 1996 only)</i>					Defense
677 <i>Joint Logistics S stems Center</i>					Defense
680 <i>Purchases from the Buildings Maintenance Fund</i>					Defense
679 <i>Cost Reimbursable Purchases</i>					A11
680-689 <i>Other Business Areas (List)</i>					A11
Total Other Fund Purchases					

**Details of Price, Program, and Other Changes (Operating Budget) - Cost
(\$ in Millions)**

	<u>Cost of Operations FY --</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Percent Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY --</u>
<u>TRANSPORTATION</u>					
701 AMC Cargo/Passenger (Fund)					
702 AMC SAAM/JCS (Fund)					
711 MSC Cargo (Fund)					
721 MTMC Port Handling (Fund)					
725 MTMC (Other non-Fund)					
771 Commercial Transportation					
Total Transportation					
OCONUS Transportation-Supply Mgt only (Memo)					
<u>CAPITAL INVESTMENT DEPRECIATION</u>					
802 Equipment, except ADPE and Telecom Eq (depreciation)					
803 ADPE and Telecom Resources (depreciation)					
804 Software Development (depreciation)					
805 Minor Construction (depreciation)					
Total Capital Investment Depreciation					

**Details of Price, Program, and Other Changes (Operating Budget) - Cost
(\$ in Millions)**

	<u>Cost of Operations FY --</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Percent Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY --</u>
<u>OTHER PURCHASED SERVICES</u>					
901 Foreign National Indirect Hire (FNIH)					
902 Separation Liability (FNIH)					
912 SLUC (GSA Leases)					
913 Purchased Utilities (non-Fund)					
914 Purchased Communications (non-Fund)					
915 Rents & Leases (non-GSA)					
921 Printing & Reproduction					
922 Equipment Maintenance by Contract					
928 <i>Ship Maintenance by Contract</i>					
929 <i>Aircraft Rework by Contract</i>					
930 <i>Other Depot Maintenance (non-Fund)</i>					
923 Facility Maintenance by Contract					
931 <i>Contract Advisory and Assistance Services</i>					
941 Technical Drawings (Supply Operations only)					
942 Forgings & Castings (Supply Operations only)					
969 Other Engineering Services & Support					
989 Other Contracts					
998 Other Costs (List and identify items over \$10,000)					
Total Other Purchases					
TOTAL COST OF OPERATIONS (Includes Reimbursements)					

Definitions of Fund-1a Categories - Cost
Details of Price, Program, and Other Changes (Operating Budget)

General. The Fund-1 and Fund-1a Exhibits reflect the total costs (expenses) of supporting the applicable business area for each fiscal years PY, CY, BY1, and BY2. All business areas will report the amortized capital costs of the activity for the capital investments benefiting the business area. All entries on this form are costs except for Supply Management business areas. For Supply Management business areas, all entries on this form are obligations except for the costs of depreciation. Round data to the nearest tenth of a million (e.g., show \$10.4 million, not \$10 million).

Military Personnel Compensation - The elements of cost to be included in the calculation of Military Personnel composite enlisted and officer rates can be found in chapter 26 of the DoD Accounting Manual.

Civilian Personnel Compensation - The elements of cost now include VERA and RIF costs as well as the costs to offset the short-term costs of buyouts.

109 - 9 percent of the final basic pay of each employee who takes a buyout and voluntary early retirement under the Civil Service Retirement System (CSRS) during fiscal year 1995.

110 - \$80 per year for each employee on an agency's rolls under CSRS and the Federal Employees Retirement System as of March 31 of fiscal years 1995-1998, of whether an agency offers buyouts.

Material, Equipment, & Supplies - These elements support the internal material, equipment, and supply costs associated with operation of the associated supply activity. Distinguish between expenses associated with material purchased from Fund businesses and that purchased from non-Fund businesses.

413 - Includes elements 502-507 of the OP-32 for equipment purchases of less than \$100,000 per item. Equipment costing more than \$100,000 per item will be capitalized and depreciated under element 801.

Other Purchases

941 - The amount entered for Technical Drawings will agree with the amount for this element in supporting budget justification materials.

942 - The amount entered for Forgings and Castings will agree with the amount for this element in supporting budget justification materials.

War Reserve Material Sales - Enter the amount for this element of expense supported by budget justification materials and included in operating budget totals.

Other pertinent information is explained below:

- Exhibits are required to show changes from the prior year to the current year, the current year to the BY1, and from the BY1 to the BY2.

- Elements of expense for which there are no costs should be excluded from the data submitted (rather than included with an amount of zero).

- Elements of expense 601-699 should be used for purchases from business areas other than supply operations to support the internal operations of the business area. Purchases by supply operations from depot maintenance businesses should be included in category 600. Purchases from the supply operations business to support the internal operations of the business should be reported in category 400.

Lines 601-676 and 680-689 should include purchases made at stabilized rates. Cost reimbursable purchases should be included in line 699.

- Purchases of engineering services, other than those shown on lines 931-934 should be included on line 969, Other Engineering Services and Support.

Changes in the Costs of Operation
Component/Business Area:_____
Date:_____
(Dollars in Millions)

Expenses

FY PY Est Actual

FY CY Estimate in President's Budget:

Estimated Impact in FY CY of Actual
FY PY Experience:
List

Pricing Adjustments:
Civilian Personnel
Fuel Price

Program Changes:
List

FY CY Current Estimate:

Pricing Adjustments:
Annualization of Prior Year Pay Raises
FY BY1 Pay Raise
Civilian Personnel
Military Personnel
Fund Price Changes
General Purchase Inflation
Other Price Changes (list)

Productivity Initiatives and Other Efficiencies:
Productivity Initiative 1
Fund Productivity
Etc.

Program Changes:
Change 1
Etc.

Other Changes:
Depreciation
Other (list)

FY BY1 Estimate:

Pricing Adjustments:
Annualization of Prior Year Pay Raises
FY BY2 Pay Raise
Civilian Personnel
Military Personnel
Fund Price Changes

Exhibit Fund-2 Changes in the Costs of Operation

Changes in the Costs of Operation (Cont)

Component/Business Area:_____

Date:_____

(Dollars in Millions)

Expenses

General Purchase Inflation
Other Price Changes (list)

Productivity Initiatives and Other Efficiencies:

Productivity Initiative 1
Fund Productivity
Etc.

Program Changes:

Change 1
Etc.

Other Changes:

Depreciation
Other (list)

FY BY2 Estimate:

This exhibit will explain the changes in the operating budget (expenses) from one fiscal year to the next at a meaningful level of detail, relating program changes to changes in the level of work load (Unit Cost outputs) to the maximum extent possible. A Fund-2 exhibit for each Fund business area is required. Of particular interest are the strategies and plans to improve business area productivity and quality. Accordingly, the cost impacts of productivity initiatives (DMRD and other) should be separately identified on this schedule. Each business area should include a paragraph outlining major productivity improvement plans and associated resources including but not limited to capital investment, education and training initiatives process improvement, consolidation and streamlining, work force motivation, and incentives.

Provide a narrative explanation for changes. Round data to the nearest tenth of a million (e.g., show \$10.4 million, not \$10 million).

For changes in cost due to productivity initiatives, list the detailed initiatives and amounts for each. Distinguish the cost reductions associated with individual DMRDs from other productivity initiatives.

Labor Cost Breakdown
Component: _____
Business Area: _____
Date: _____

(\$ in Millions)

	<u>Direct</u>	<u>Indirect</u>	<u>Gen & Adm</u>		<u>Total</u>
	<u>Labor 1/ Nonlabor</u>	<u>Labor 1/ Nonlabor</u>	<u>Labor 1/ Nonlabor</u>		

FY PY

1/ Includes military and civilian compensation

FY CY

List total Direct, Indirect, and General and Administrative expenses by year. The distinction between these elements of cost should be based on the 15 October 1990 Unit Cost Resourcing Guidance, or approved Unit Cost Task Group Mapping.

FY BY1

For Supply Management Business Areas, all entries on this form are in obligations with the exception of depreciation.

FY BY2

Area Personnel Breakdown

	<u>Direct</u>	<u>Indirect</u>	<u>Gen & Adm</u>	<u>Total</u>
<u>FY PY</u>				
Civilian FTEs				
Civilian End Strength				
Military End Strength				
<u>FY CY</u>				
Civilian FTEs				
Civilian End Strength				
Military End Strength				
<u>FY BY1</u>				
Civilian FTEs				
Civilian End Strength				
Military End Strength				
<u>FY BY2</u>				
Civilian FTEs				
Civilian End Strength				
Military End Strength				

Exhibit Fund-3 Labor Cost Breakdown

Instruction for the Preparation of Exhibit Fund-3
Labor Cost Breakdown

This exhibit stratifies, by fiscal year, the total business area costs in the operating budget by Direct, Indirect, and General and Administrative (G&A) categories, which respond differently to changes in work load. For the G&A category, only the personnel carried in and paid for by the business area should be reflected in the personnel strength numbers. This includes personnel paid from the business area payroll such as assigned security guards and personnel working in the office of the business area director, but not the personnel assigned to a G&A activity that provides base operations support to the business area unless they are carried in the end strength of the business activity.

Summary of General and Administrative Costs

Component: _____

Business Area: _____

Date: _____

(\$ in Millions)

FY PY

FY CY

FY BY1

FY BY2

List those elements of cost, including purchased services and base operations, which will be distributed as General and Administrative Overhead Costs to measured and unmeasured outputs. Where appropriate, also include headquarters costs. Separately identify categories that are significant cost drivers; summarize less significant cost drivers in the "other" category. Examples of General and Administrative Costs include:

ADP Support
Telecommunications
Installation Services

Civilian Personnel Office
Comptroller/Accounting and Finance
Real Property Maintenance (Excluding Capital Investments)
Utilities
Headquarters Support *
Other

Total

Note: Significant differences between years should be explained.

* Includes higher headquarters operating expenses above the activity level command elements -- usually at the major command, systems command or other comparable organizational levels (see definition on Fund 25 exhibit).

Exhibit Fund-4 Summary of General and Administrative Costs

Total Cost Per Output Summary

Component: _____

Business Area: _____

Date: _____

(\$ Millions)

	Work load				Unit Cost				Total Cost			
	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>
Output Operating Budget	Estimated work load for measured outputs.				Estimated unit cost for measured outputs.				Estimated total cost for measured and unmeasured outputs. O&M functions must include reimbursable outputs.			
	-----				-----				-----			
Total Operating Budget	No Data Entry				No Data Entry				Sum the total estimated cost for all outputs. O&M-funded activities must include reimbursable outputs.			
	=====				=====				=====			
Capital Budget	No Data Entry				No Data Entry				List the estimated total capital budget.			
	=====				=====				=====			

This exhibit specifies, by fiscal year, the operating budget by the costs and outputs associated with each business area. Total costs on this exhibit will add to the operating budget total. Enter the total capital budget amount (authority) as the last item in the table. Exhibit Fund-5 corresponds to the funding document that will be issued for those business areas that have a limited number of outputs. Exhibit Fund-5a should be used for business areas with multiple outputs, which includes most of the business areas that were formerly Industrial Fund activities.

Exhibit Fund-5 Total Cost Per Output Summary

Total Cost Per Output Summary
Component: _____
Business Area: _____
Date: _____

1. Description of How Products are Priced:

Examples: Price list for items repaired
Cost per billable hour
Cost per item manufactured
Cost per ton/mile by route

Business areas should provide descriptions for as many of the primary outputs as practical.

2. Explanation of Average Change in Cost:

FY CY Average Changes in Cost

Provide a narrative explanation of how the data displayed in Exhibit Fund-1 and changes in work load affect the average cost of products in FY CY, FY BY1, and FY BY2.

FY BY1 Average Changes in Cost

FY BY2 Average Changes in Cost

Exhibit Fund-5a Total Cost Per Output Summary

**Derivation of Unit Cost Estimates
For Significant Outputs**

Component: _____
 Business Area: _____
 Date: _____
 Output: _____

		<u>Total Cost</u>							
		<u>Direct</u>		<u>Indirect</u>		<u>G&A</u>			
		<u>Labor</u>	<u>Non-Labor</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	<u>FY PY</u>
<u>FY PY</u>								<u>Work</u>	<u>Load</u>
	Price Changes							<u>Unit</u>	<u>Cost</u>
	Program Changes								

		<u>Total Cost</u>							
		<u>Direct</u>		<u>Indirect</u>		<u>G&A</u>			
		<u>Labor</u>	<u>Non-Labor</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	<u>FY CY</u>
<u>FY CY</u>								<u>Work</u>	<u>Load</u>
	Price Changes							<u>Unit</u>	<u>Cost</u>
	Program Changes								

		<u>Total Cost</u>							
		<u>Direct</u>		<u>Indirect</u>		<u>G&A</u>			
		<u>Labor</u>	<u>Non-Labor</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	<u>FY BY1</u>
<u>FY BY1</u>								<u>Work</u>	<u>Load</u>
	Price Changes							<u>Unit</u>	<u>Cost</u>
	Program Changes								

		<u>Total Cost</u>							
		<u>Direct</u>		<u>Indirect</u>		<u>G&A</u>			
		<u>Labor</u>	<u>Non-Labor</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	<u>FY BY1</u>
<u>FY BY2</u>								<u>Work</u>	<u>Load</u>
	Price Changes							<u>Unit</u>	<u>Cost</u>
	Program Changes								

Instructions for Completing the Fund-6

For those outputs deemed to be significant to the mission of the business area, this format provides a vehicle for explaining how the unit cost was derived. This exhibit should take the form of explaining what contributes (inflation, productivity, consolidation, changes in performance goals, etc.) to changes in the cost per output from, one year to the next. The exhibit must be explicit and of sufficient detail to justify the proposed unit costs.

The format should be similar to the Fund-2 (Changes in the Costs of Operation); it should provide an itemized list of price and program changes resulting in changes to estimated unit cost from year to year (FY PY to FY CY, FY CY to FY BY1, and FY BY1 to FY BY2). The purpose is to help justify unit cost estimates for the most significant outputs of Defense Business Operations Fund business areas. Unit cost estimates reflected on this exhibit should be identical to unit cost estimates displayed on the Total Cost Per Output Summary Exhibit Fund-5. Data for all measured outputs and the top five unmeasured outputs (in terms of estimated cost) should be reflected on this exhibit. Like other exhibits, price changes include only escalation such as pay raises and benefits increases, as well as other inflation. All other changes should be reflected as program changes.

Items explaining changes to unit cost should be grouped into (three) categories:

A. Work Load: Explain changes in estimated work load which produce changes in unit cost. This should include both changes to the total volume of work load as well as changes to work load mix.

B. Cost: Explain changes to estimated cost in terms of price and process changes as reflected in the Summary of Price and Program Changes, and the Summary of General and Administrative Expenses. (Include identification of productivity, quality, and work force motivation strategies to reduce cost or increase performance).

C. Performance Measurement: Explain how changes in performance goals contribute to changes in cost per output.

Business Area: _____

FY ____

Prior Year Stabilized Rate (\$)	Direct Labor Hours (000) Carry-in	Revenue Carry-in Orders (\$ Mil)	Proposed New Order Rate (\$)	Direct Labor Hours (000) Total New Orders Accepted	Revenue Total New Orders (\$ Mil)	New Orders Accepted but Not Worked (\$ Mil) <u>1/</u>	Proposed Carry-out Rate (\$ Mil)	DLHs (000) Carry- out <u>2/</u>
------------------------------------------	-----------------------------------------	-------------------------------------------	------------------------------------------	-------------------------------------------------------------------	-----------------------------------------------	----------------------------------------------------------------	-------------------------------------------	------------------------------------------

Funding Source

Parent Service (List customers by appropriation, fund, or other sources. All orders must match the OP-21, R-32, and P-32 exhibits in total.)

Other DoD Services (List by Service. Show by appropriations, fund, or other source.)

Other DoD Agencies (List by agency.)

Other DoD Funds (List by Fund, i.e., Navy Supply Management, Air Force Depot Maintenance, etc.)

**Non DoD Agencies,
Individuals & Others**

Total

1/ These orders are included within Total New Orders Accepted, but are not programmed for execution during the budget year.

2/ This column would include all orders from column 7 (New Orders Accepted but Not Worked), plus any additional multi-year orders funded in prior years (FY-1, etc.), but still not programmed for execution in this fiscal year.

Exhibit Fund-7a Summary of Sources of Revenue

Instructions for Completing the Fund-7a. Summary of Sources of Revenue

Separate fiscal year exhibits are required for the prior year, current year, and budget year.

Revenue from carry-in orders at the beginning of the fiscal year must equal the carry-out balance at year-end for the previous fiscal year. New customer orders should be priced at the rate used in the Components' customer account request (see guidance on setting rates). Carry-out orders should be priced based on the pricing guidance. Because carry-out orders cannot be billed until accomplished, the sum of the revenue derived from carry-in orders, new orders planned for execution in this fiscal year., and the other column should equal total revenue from orders for the fiscal year. Other revenue includes pass-through, direct funding, and cost reimbursable orders that are not subject to stabilized rates.

Direct labor hours (DLHs) for carry-in work include only carry-in (balance on hand beginning of the year) anticipated to be executed during the program year. For multiyear projects, that portion of carry-in programmed for execution in future years should be added to carry-out work load. Show new customer order received from each appropriation, agency, or fund, as applicable. Any new customer orders not programmed for execution during the programmed fiscal year should be included in the carry-out category.

Revenue amounts must agree with the applicable Revenue and Expense Exhibits (Fund-11) and with Summary of Price and Program Changes Exhibits (OP-32, R-32, and P-32). (See pricing and customer account guidance in the DoD Financial Management Regulation and in the budget guidance.)

The prior year stabilized rate is the DoD composite revenue rate set in the prior year(s) budget(s). If carry-in from more than one year is involved, provide the weighted average based on the number of DLHs and the rate applicable for each year. If all carry-in was at the same rate, then only one entry is required at the top of the column. If the business has established subcomposite rates (that makeup the DoD stabilized rate) such as a rate by major commodity or product (engines, airframes, components, etc.), these subcomposite rates maybe used in the "Prior Year Stabilized Rate" column if grouped by customer or appropriation.

The column "New Orders Accepted but not Worked" will reflect carry-out orders.

Funded carry-in showing excess of three months in FY PY - FY BY2+1 should be explained in a narrative footnote to this exhibit.

CUSTOMER RATE COMPUTATIONS
Department of (Component Name)
Business Area: _____

<u>Adjustment</u>	<u>Direct Labor Hours</u>	<u>Program Cost</u>	<u>Rate (\$)</u>
Prior Year Stabilized Rate:			\$xx.xx
1. Total programmed Direct Labor Hours (DLHs) anticipated to be executed during the fiscal year:	xxx,xxx,xxx		
2. Total Cost of Goods Sold during year:		\$xxx,xxx,xxx	
3. Minus DLHs associated with carry-in orders:	-xxx,xxx		
4. Minus nonstabilized rate revenue and revenue from carry-in orders at prior year composite rate: (including BRAC funding, direct reimbursables, UPC funds, pass-throughs, etc.):		-\$ xx,xxx,xxx BRAC -\$ pass-throughs -\$ direct reimbursables -\$	
5. Total Direct Labor Hours for New Orders accepted and programmed for execution this year:	xxx,xxx,xxx		
6. Adjusted Cost of Goods Sold (from step 4):		\$xxx,xxx,xxx	
7. Initial Cost Per Direct Labor Hour for New Orders (step 6 divided by step 5).			\$xx.xx
8. DLHs associated with new orders to be carried-over* for execution in the next fiscal year:	xxx,xxx		
9. Add inflation differential value for New Orders accepted but programmed for carry-over to next fiscal year. (Step 7 times Step 8, times inflation rate).		+\$xxx,xxx	
10. Adjusted Cost of Goods Sold:		\$xxx,xxx,xxx	
11. Adjusted Cost Per Direct Labor Hour: (Adjusted Cost of Goods Sold (Step 10) divided by the sum of the DLHs from Step 5 and step 8).			\$ x x . x x

Exhibit Fund-7b Customer Rate Computations

CUSTOMER RATE COMPUTATIONS
Department of (Component Name)
Business Area: _____

<u>Adjustment</u>	<u>Direct Labor Hours</u>	<u>Program Cost</u>	<u>Rate (\$)</u>
<p>12. Adjustment for prior ear sins or losses necessary to achieve an end-of-year AOR of zero for the budget year: Step 12 is calculated as follows:</p> <p style="margin-left: 20px;">(a) Take the <i>previous year</i> end-of-year AOR and add to that any gains or losses in <i>the budget year(s) and new surcharges required</i>.</p> <p style="margin-left: 20px;">(b) The resulting dollar value (from “a” above) is then multiplied by the following ratio: (Step 5 DLHs + Step DLHs) / Step 5 DLHs where; - Step 5 equals the number of DLHs for new orders estimated to be accepted during the ear for execution in that year (BY), and - Step 8 equals the number of new orders accepted in the budget year but anticipated to be carried-over for actual execution in the next fiscal year.</p> <p>The resulting dollar value, either positive (if your AOR is negative) or negative (if your AOR is positive), is then used as an adjustment to program cost in Item 12 . <i>The adjustment for capital surcharges is positive.</i> This will ensure that all prior year gains or losses planned to be recouped or distributed will be accomplished during the budget year for which rates are being set.</p>		<p>+/- \$xxx,xxx,xxx</p>	
<p>13. Adjusted Cost of Goods Sold (the sum of Step 10 and Step 12):</p>		<p>\$xxx,xxx,xxx</p>	
<p>14. New Customer Order Stabilized Rate (Cost Per Direct Labor Hour): his rate is calculated b dividing the Adjusted Cost of Goods Sold (from Step 13) by the sum of the DLHs from Step 5 and Step 8.</p>			<p>\$xx.xx</p>
<p>15. Percentage rate than e from prior year: Calculated by dividing Step 14 by the prior year stabilized Cost Per Direct Labor Hour rate.</p>			<p>+/- xx.xx%</p>

*Note - When determining inflation adjustments for carry-over orders you may include those orders from multiple year rejects that were carried-in from the prior year, but will not be accomplished in the current year. The total carry-over DLHs should match the number reported on the Fund-7a exhibit.

Navy Research and Development Rates. The Navy will include the total composite rate change for the Research and Development business area in addition to the stabilized rate (for work performed in-house only) in the budget estimates submission.

**AIR MOBILITY COMMAND (AMC)
COMMON USER TRANSPORTATION SERVICES
DEFENSE BUSINESS OPERATIONS FUND SUMMARY**

DATE: _____

FY PY FY CY FY BY1 FY BY2

I. Cost of Operations

Outputs:

Cost per Trained Flight Crew (1)

- C-5
- C-130 (CONUS)
- C-141
- C-17

Other Outputs/Augmentation

- Channel Passenger Movement
- Channel Cargo
- Special Assignment Airlift Missions (SAAMs)
- Joint Chiefs of Staff Exercises

Other Outputs/Organic (2)

- Channel Passenger Movement
- Channel Cargo
- Special Assignment Airlift Missions (SAAMs)
- Joint Chiefs of Staff Exercises

Support to Others/Base Operations (3)

- Air Refueling Tankers
- Aeromedical Evacuation
- Commercial Mail Service

Total Costs

II. Revenue

- Channel Passenger Movement
- Channel Cargo
- Special Assignment Airlift Missions (SAAMs)
- Joint Chiefs of Staff Exercises
- Commercial Mail
- Base Support (Reimbursements from Tenants)
- Other

Total Based Revenue

III. Appropriation Request (Total Costs - Revenue): This request should be listed by output. The objective is to determine the request which is needed to fund the difference between the actual cost of flying AMC planes versus the revenue which is generated by commercially based rates.

Exhibit Fund-8b Air Mobility Command Common User Services

Notes:

- (1) The cost per trained flight crew includes all organic airlift costs including estimated overhead for Base Operations and AMC Headquarters).
- (2) Provide estimated costs for airlift missions required solely for purposes of meeting customer demand such as disaster relief (e.g., Provide Hope, Provide Comfort, etc.).
- (3) Estimated Base Operations costs incurred in support of tenants. Base Operations costs in support of the AMC missions should be included in the total cost of the missions supported.

Business Area Capital Investment Summary
Component: _____
Business Area: _____
Date: _____
(\$ in Millions)

<u>Line Number</u>	<u>Item Description</u>	FY PY		FY CY		FY BY1		FY BY2	
		Quantity	Total Cost						
	Equipment - Replacement - Productivity - New Mission - Environmental - Compliance								
	ADPE & Telecomm								
	Software Development								
	Minor Construction								
	TOTAL								

Exhibit Fund 9-a Business Area Capital Investment Summary (Page 1 of 4)

Instructions for the Fund-9a Exhibit
Capital Investment Summary

I. General - Each line item shown on the Fund-9a Exhibit represents the summary data associated with an individual capital investment reported on the Fund-9b Exhibit (Capital Investment Justification). The line number assigned to the item from the Fund-9b Exhibit will be cross-referenced in the first column of the Fund-9a Exhibit. In addition, the ADPE and Telecommunications equipment and software development Fund-9b Exhibit line number assigned should also be used for cross-referencing within the Information Technology Exhibits as outlined in Chapter 18 of this regulation. Use the approved Business Operations Fund name for the business area. Equipment costing \$500,000 or more, and software development costing more than \$500,000 will be separately justified on Fund-9b Exhibit. Section 090103, Policy, provides specific guidelines in deciding whether or not to include an item in the capital budget, and the necessary pre- and post-investment analysis required to substantiate a capital budget request. Definitions for these capital budget categories are provided below:

A. Equipment, other than ADPE and Telecommunications Resources, costing \$100,000 or more will be capitalized and depreciated over a period not to exceed ten years, except vehicles which will be depreciated over five years. Equipment will be categorized by the primary reason justifying the purchase: Replacement, Productivity, New Mission, or Environmental Compliance.

(1) Replacement Equipment should be systematically analyzed and alternatives considered to meet the replacement requirement in the most cost-effective manner supported by an economic analysis. The level of effort devoted to this analysis should be related to the dollar value of the proposed investment and should employ traditional capital investment evaluation techniques such as net present value and internal rate of return analysis. In the situation where a new piece of equipment being considered significantly exceeds the capability of existing equipment, the repair versus purchase decision should be justified in the category "Productivity Equipment."

(2) Productivity Equipment consists of equipment that significantly exceeds the efficiency or capability of existing equipment and should be supported by an economic analysis comparing the net present values of alternatives considered by the decision maker. Productivity equipment reduces the cost of operations of the business activity, thereby reducing cost per unit of output, or results in a product or service improvement that reduces the customer's cost of use.

(3) New Mission Equipment is equipment needed to support an increase in work load or a new mission that cannot be adequately accomplished with the existing equipment. Purchase decisions should be supported, where applicable, with a thorough and systematic analysis of the alternatives available to satisfy the requirement in the most cost-effective manner.

(4) Environmental Compliance Equipment is equipment needed to correct or forestall a condition in violation of local, state or federal statutes and regulations. Rather than an economic analysis, a description of the possible violation ought to be included and how the particular item of equipment will remedy the situation.

B. ADPE and Telecommunications Equipment having a system unit or life cycle cost of *\$100,000* or more will be capitalized and depreciated over a period of five years.

(1) ADPE and telecommunications resources consist of computer hardware, operating system software (including utility and communications software) and telecommunications equipment as defined in OMB Circular A-11.

(2) ADPE costs will be displayed in four parts: (1) Computer Hardware (Production), (2) Computer Software (Operating System), (3) Telecommunications, and (4) Other Computer and Telecommunications Support Equipment. The last category includes investments such as uninterrupted power sources and air conditioning that must be purchased to support computer and telecommunications resources. Other support valued at \$250,000 or more must be separately described and justified.

C. Software Development/Modernization with a system unit or life cycle cost of *\$100,000* or more will be capitalized and depreciated over a period of five years

(1) Software development includes the actual development and acquisition of the information system as defined in OMB circular A-11. This category does not include software developed for a customer for use in a weapon system.

(2) Software development/modernization will be budgeted by project. A project is defined as any change, modernization, or improvement to a system or subsystem that by itself will provide an economic benefit or improvement in a business process. This must include all changes or improvements needed to interface or integrate with other ancillary systems. A project has a start and stop date, a specific amount of funds, and results in a usable end product. The full scope of a software development project may consist of efforts in any or all of the following four phases: (1) planning and system design; (2) system development including software modification and conversion; (3) deployment, including environmental and operational test and installation; and (4) management and technical support.

(3) Costs to be included in a software development project include the total labor and nonlabor costs such as: (1) all direct cost for civilian and military personnel; (2) contractor labor; (3) supplies; (4) travel; (5) processing support for testing; (6) indirect costs; and (7) general and administrative costs (e.g., base operations support, higher headquarters, and depreciation for central design activity-owned assets). Software development/modernization projects will exclude ADPE and maintenance/operations costs. These will be identified separately in the ADPE and telecommunications section of the Fund-9a and Fund-9b.

D. Minor Construction projects financed by the business area and costing *\$100,000* or more but less than *\$300,000* will be capitalized and depreciated over 20 years. Where appropriate, minor construction decisions should be supported by an economic analysis.

E. Column Entries

(1) Item Description. Enter the category - Equipment \$5 million or more, Minor Construction, etc., and the proper nomenclature, or descriptive title, of the item to be procured or service to be purchased.

- (2) Quantity. As applicable, enter the quantity of items procured/estimated to be procured during, as FY PY, FY CY, FY BY1, and FY BY2. The quantity shown in this exhibit should reflect all program changes through the date of preparation of the exhibit regardless of whether such changes have been previously reported.
- (3) Cost. Enter the estimated total cost of the applicable quantities procured/estimated to be procured during FY PY, FY CY, FY BY1, and FY BY2, as applicable. This amount should reflect all costs associated with program changes through the date of preparation of the exhibit regardless of whether such changes have been previously reported. Costs will be expressed in millions of dollars, to the nearest tenth (i.e., \$2.6 million).

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)										A. Budget Submission		
B. Component/ Business Area/Date				C. Line No. & Item Description			D. Activity Identification					
Element of Cost	FY PY			FY CY			FY BY1			FY BY2		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost

Narrative Justification:

This exhibit will provide detailed justification by line item in support of summary capital investment purchases shown on the Fund-9a Exhibit.

- Describe the capability afforded by the existing equipment/ADPE and telecommunications resources/software development/facility and the shortcomings inherent in the current situation.
- Describe the benefits to be realized from the proposed capital investment.
- Indicate whether an economic analysis has been performed and, if not, why not. Summarize the net present value advantages of the proposed investment over alternatives considered and discarded. Be prepared to provide a copy of supporting economic analysis upon request.
- For MilCon projects, provide a copy of the supporting Form 1391 for new projects not previously submitted or identified.
- Describe the impact of not making the proposed capital investment.
- For computer software, separately identify license fees.

Exhibit Fund-9b Business Area Capital Purchase Justification

Instructions for the Preparation of Exhibit Fund-9b
Capital Investment Justification

I. General

- A. The purpose of this exhibit is to provide detailed cost data and narrative justification in support of each line item in Fund-9a. Separately justify each capital investment which costs \$500,000 or more. It is important that the Fund-9b be complete and accurate as it is the primary justification for business capital purchases.
- B. Separate Fund-9b exhibits will be submitted for each line item on the Fund-9a where there is an entry in either the current year or budget year(s) columns.

II. Headings

- A. For "Budget Estimate Submission," insert "FY XX OSD/OMB submission" (XX is used for illustration purposes only. Insert the applicable fiscal year in lieu of XX.)
- B. Identify the applicable Component/Business Area for the proposed capital investment. Use the approved Business Operating Fund name for the business area. Identify the activity that will benefit from the capital item, if possible. Specific activities need not be identified for Equipment, ADPE, and telecommunications resources, Software Development, and Minor Construction Purchases costing under \$300,000 each.
- C. For each item (e.g., five new forklifts), indicate the item description contained in Exhibit Fund-9a.
- D. Line Item No. & Item Description. Enter a line item identification number to cross-reference the corresponding entry on the Fund-9a along with a description of the investment.

III. Column Entries

- A. Element of Cost. Purchases of equipment and systems often require more than one procurement action to complete the program or, if only one contract is involved, there may be several cost elements such as the end item itself, publications, installation, minor construction support, etc. Each of these elements should be shown separately in the "Elements of Cost" section with related costs shown separately under the total cost sections. Quantity and unit cost should be shown for these elements when appropriate.
- B. Quantity. The quantity related to any cost element should be stated in units. Cost columns will be totaled.
- C. Per Unit Cost. Enter the actual or estimated unit cost, when appropriate, for each element listed. Express unit costs in thousands of dollars, to the nearest tenth (i.e., \$20.1 thousand). Unit costs should be expressed in terms of "then year" costs.
- D. Total Costs. Enter the total cost of each building block entry taking into consideration quantity to be procured/estimated to be procured and unit costs.

IV. Narrative Justification

- A. Provide complete narrative description for each applicable item. The description should include, but not be limited to, the nature, purpose, and intended use of the item. This narrative justification should include sufficient information to serve as the sole justification for funding the item. The narrative must indicate whether a pre-investment economic analysis was performed. The narrative must also indicate the dollar value of associated estimated savings/cost avoidance after the equipment is installed or the project is complete and the fiscal year when the savings/cost avoidance should begin. If no savings/cost avoidance should result from the purchase, an explanation must be provided to indicate why. The narrative must also provide a clear, concise statement relating planned procurement to the total objective for the applicable item/program. For example, the total objective for a type of supply management equipment might be 40 units at an estimated cost of \$300,000 each for a total cost of \$12.0 million. Ten units have been procured in prior years, 15 units are included in the budget year, leaving 15 units to be procured in subsequent years. If the items are to be used/installed at more than one Activity, a list of the applicable Activities that are to receive the equipment/system should be provided.

Capital Investment and Financing Summary

Component: _____

Business Area: _____

(Dollars in Thousands)

Category: _____

			Fiscal Year				
	PY-X	PY	CY	BY1	BY2	Outyears	Total Program
Program Year Authority	100	125	140	150	160		
Program Year Obs (\$/%)							
PY-X	80/80%	20/20%					100/100%
PY		100/80%	25/20%				125/100%
CY			100/79%	20/14%	10/7%		140/100%
BY1				115/77%	35/23%		150/100%
BY2					120/75%	40/25%	160/100%
Total by FY	80	120	135	135	165	40	
Program Year Outlays (\$/%)							
PY-X	40/40%	40/40%	20/20%				100/100%
PY		50/40%	50/40%	25/20%			125/100%
CY			55/39%	45/32%	30/21%	10/8%	140/100%
BY				60/40%	60/40%	30/20%	150/100%
BY2					65/41%	95/59%	160/100%
Total by FY	40	90	125	130	155	135	
Program Yr. Unoblig Balance							
PY-X	20						N/A
PY		25					N/A
CY			30	10			N/A
BY1				35			N/A
BY2					40		N/A
Total by FY	20	25	30	45	40		N/A
Program Year Unexpend Obs							
PY-X	40	20					
PY		50	25				
CY			55	30	10		
BY1				55	30		
BY2					55		
Total by FY	40	70	80	85	95		

A separate page will be submitted for each category of Capital Purchases as well as a summary page. The categories are Equipment-Non-ADPE, Equipment-ADPE and Telecommunications, Minor Construction, and Software Development. (PY-X should go back to, and include, FY 1992. Although the sample exhibit reflects program year obligations of 100% of CY, PY, and PY-X program authority, that need not be the case; CY, PY, and PY-X program year obligations should reflect your best estimates.

Exhibit Fund-9c Capital Investment and Financing Summary

Department of (Component Name)
Business Area: _____
FY 19_
FY 19_ _____ Budget Estimate

PROJECTS ON THE FY_ PRESIDENT'S BUDGET

<i>(Dollars in Millions)</i>					
<u>FY</u> <u>project</u>	<u>Reprogs</u>	<u>Approved</u> <u>Proj Cost</u>	<u>Current</u> <u>Proj Cost</u>	<u>Asset/</u> <u>Deficiency</u>	<u>Explanation</u>
<i>Equipment except ADPE and TELECOM</i>					
<i>Equipment - ADPE and TELECOM</i>					
<i>Software Development</i>					
<i>Minor Construction</i>					
<i>Total FY_</i>					

Instructions:

Complete the form for each fiscal year required in the Budget Submission. The "Approved Project Column" is the program approved in the President's Budget.

- FY* *Fiscal Year of the Project.*
- Approved Project* *Project title and amount from the President's budget.*
- Reprogs* *Amount of reprogramming which have occurred since the President's budget.*
- Approved Project Cost* *Approved Project Cost plus/minus Reprogramming.*
- Current Proj Cost* *Current estimate of project cost*
- Asset/Deficiency* *Asset: funds excess to current project cost estimate. Excess funds may be reprogrammed to other projects that show a deficiency in this column.*

Prepare the Fund-9d exhibit to show the changes between the FY PY President's Budget Submission the FY BY1/BY2 OSD/OMB Budget Submission.

Exhibit Fund-9d Capital Budget Execution

Price Changes
Component: _____
Business Area: _____
Date: _____

<u>Output</u>	<u>Rate/Price Change (%)</u>		
	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Output 1	Break each rate change into its detailed components (i.e., general inflation, productivity, etc.) on a percentage basis. Rate changes should be consistent with Fund-2.		
Output 2			
Etc.			

Explanation

This exhibit should list each output and the computed change in customer price from the previous year. The components of price contributing to changes in customer prices should be explained. All Fund customer rates for FY CY will be those reflected in the President's budget. FY BY1 and FY BY2 price changes should be based on cost reflected in this submission to achieve an accumulated operating result (AOR) of zero in both FY BY1 and FY BY2.

BUSINESS AREA ANALYSIS
COMPONENT/BUSINESS AREA: _____
SOURCE OF REVENUE
(Dollars in Millions)

FY PY FY CY FY BY1 FY BY2

1. New Orders
 - a. Orders from DoD Components:
 - Own Component
 - Appn 1
 - Continue List by Appropriation
 - Other Services (List by Appropriation)
 - b. Orders from other Fund Business Areas
(List by Business Area)
 - c. Total DoD
 - d. Other Orders:
 - Other Federal Agencies
 - Trust Fund
 - Non Federal Agencies
 - Foreign Military Sales
- Total New Orders
2. Carry-In Orders
3. Total Gross Orders
4. *Funded Carry-over*
5. Total Gross Sales

Exhibit Fund-11 Source of Revenue

Instructions for the Preparation of Exhibit Fund-11
Source of Revenue

This Exhibit will identify the customers of each business area at the level of detail indicated. Appropriated fund customers should be identified at the appropriation level. Be specific as to the source of funding. Entries such as OSD or Army are not acceptable on this Exhibit. Lack of specificity will indicate that the funding source is unknown and may not be considered as a legitimate source of funding. The identification will be on the basis of funded orders so that business area activity may be linked to the appropriations for goods and services.

For line 1.a (Orders from DoD Components), show the amounts by appropriation (e.g., Army National Guard Operation and Maintenance, Army RDT&E, etc.) for orders accepted within the submitting Service/Component. For orders accepted from other Components, show the appropriation detail for significant customers.

For line 1.b (Orders from Other Fund Business Areas), show the orders accepted from other Defense Business Operations Fund Business areas. Be specific as to the business area.

Total New Orders on Line 1 must match data provided in the OP-32, R-32, and P-32 exhibits.

For line 2, display the carry-in orders from prior fiscal years. *For the Supply Management business areas, carry-in orders represent back orders.*

For line 3, add the sum of lines 1 and 2.

Line 4 should equal orders from line 3 that will not be sold in the current year. *For the Supply Management business areas, funded carry-over represents backorders.*

Line 5 will equal total gross sales shown on the Revenue and Expense Statement.

Components will submit summary Fund-11 exhibits for business areas (such as Navy Research and Development) that have subdivisions and will submit a summary Fund 11 at the Component level.

Performance and Quality Measures

Component _____

Business Area _____

Output Measure _____

Performance Effectiveness Measure Definitions

<u>Category</u>	<u>Title</u>	<u>Description</u>
1. Net Operating Results (NOR)		
2. Timeliness		
3. Quality		
4. Customer Satisfaction		

Provide a brief description of the performance measure and identify the source of the data. Include how the measure will be used to influence work process improvement, customer feedback, and management control.

Performance Measures

<u>Performance Measure</u>	<u>Goal</u>	<u>FY PY Actual</u>	<u>FY CY Estimate</u>	<u>FY BY1 Estimate</u>	<u>FY BY2 Estimate</u>
----------------------------	-------------	---------------------	-----------------------	------------------------	------------------------

Criteria: These measures should identify the critical characteristics of the product or service from the customer's perspective for business areas. Each business area should use the performance effectiveness measures submitted in the March 1, 1993, Milestone II Report to Congress and those measures mandated for use in financial statements by the Chief Financial Officers Act. Each performance effectiveness measure should: (1) describe the final product as it is received by the customer, (2) be a discrete straightforward indicator, (3) be critical to the outcome goals, (4) be controllable by the business activity manager, (5) be distinguishable from work process measures, and (6) be automated to the maximum extent possible. Measures of subprocesses or internal operations should not be used unless they have a major predictable impact on the final output characteristics. Timeliness measures are typically expressed as average days it takes for a customer to receive a product or service or as the percentage goods or services provided within prescribed time frames. Quality measures gauge conformance to objective use requirements and are typically expressed as the number of defects in the product as reported by the customer or number of customer complaints reported. Customer satisfaction is a measure of conformance to customer expectations. Customer satisfaction is best measured directly with customer surveys.

Exhibit Fund-12 Performance & Quality Measures

CASH MANAGEMENT PLAN

Component: _____

Business Area: _____

(Dollars in Thousands)

Provide a monthly cumulative phasing of disbursements, collections, and net outlays for the current and budget year columns.

	<u>Disbursements</u>	<u>Current Year Collections</u>	<u>Net Outlays</u>	
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				
	<u>BY1/BY2 Disbursements</u>	<u>BY1/BY2 Collections</u>	<u>BY1/BY2 Net Outlays</u>	(one for each year)
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				

Exhibit Fund-13 Cash Management Plan

DEFENSE BUSINESS OPERATIONS FUND
COMPONENT/BUSINESS AREA: _____
REVENUE AND EXPENSES
(Dollars in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Revenue				
Gross Sales	XX,XXX.X ^{A/}			
Operations	(XX,XXX.X)			
Capital Surcharge	(XX,XXX.X) ^{B/}			
Depreciation excluding Major Construction	(XX,XXX.X)			
Major Construction Depreciation	(XX,XXX.X)			
Other Income	XXX.X ^{C/}			
Refunds/Discounts (-)	<u>- XXX.X</u>			
Total Income:	XX,XXX.X			
Expenses				
Cost of Material Sold from Inventory	XX,XXX.X ^{D/}	<i>(DeCA Resale and Supply Management Only)</i>		
Salaries and Wages:				
Military Personnel Compensation & Benefits	XX,XXX.X			
Civilian Personnel Compensation & Benefits	XX,XXX.X			
<i>Travel & Transportation of Personnel</i>	XX,XXX.X			
Materials & Supplies (For internal Operations)	XX,XXX.X			
<i>Equipment</i>	XX,XXX.X			
Other Purchases from Revolving Funds	XX,XXX.X			
Transportation of Things	XX,XXX.X			
Depreciation - Capital	XX,XXX.X ^{E/}			
<i>Printing and Reproduction</i>	XX,XXX.X			
<i>Advisory and Assistance Services</i>	XX,XXX.X			
<i>Rent, Communication, Utilities, & Misc. Charges</i>	XX,XXX.X			
<i>Other Purchased Services</i>	<u>XX,XXX.X</u>			
Total Expenses	XX,XXX.X			
Operating Result	XX,XXX.X ^{E/}			
Less Capital Surcharge Reservation	XXX.X ^{G/}			
Plus Appropriations Affecting NOR/AOR	X,XXX.X ^{H/}			
Other Changes Affecting NOR	X,XXX.X ^{L/}			
Net Operating Result	XX,XXX.X ^{I/}			
<i>Other Changes Affecting AOR</i>	XX,XXX			
Accumulated Operating Result	XX,XXX.X			

Note: For Supply Management, expense estimates should be consistent with estimated surcharge elements included in Exhibit SM-5a except for the current year. Current year should reflect current estimates and should not necessarily be identical to the previous budget submissions as required for the SM-5a.

Exhibit Fund-14 Revenue and Expenses

Instructions for Statement of Revenue and Expenses
Keyed to Statement Footnotes

- A. For supply management business areas, the line should reflect net sales at standard.
- B. Capital Surcharge represents the increase in prices (and projected revenue) due to surcharging the capital budget requirement to provide sufficient cash to support the capital budget. This line should be left blank if a capital surcharge is not included in price (also see note F).
- C. Other income is to include pass-throughs.
- D. Cost of material sold from inventory includes the value of material sold from inventory and the cost of repair. Both wholesale and retail costs should be included. *The cost of material sold from inventory will be computed differently for wholesale and retail divisions, For wholesale divisions, the surcharge shall be subtracted from the sale and the inflation added. For consumable items, the intent is to reflect anticipated sales at latest acquisition price plus inflation. For repairable items, the computation becomes more complex. Sales for repairable items shall be split between sales at standard and sales at exchange price. For sales at standard, the surcharge is removed from the sales and inflation is added similar to consumable items. For sales at exchange price, the cost of material sold reflects the sales at repair cost including rate changes for the appropriate year. For retail divisions, the cost of material sold from inventory is the obligations recorded during the fiscal year.*
- E. Depreciation expenses reflect actual or estimated depreciation of all assets defined by the capital program.
- F. This represents the “gross” result from operations, prior to adjustments.
- G. Capital Surcharge reservation here should offset capital surcharge in revenue. This line is left blank when there is no capital surcharge revenue.
- H. This represents any appropriations realized to offset current period expenses (e.g., appropriations to cover underutilized plant capacity). Appropriations for war reserve material do not offset current period expenses, do not affect NOR, and should therefore be reported as an adjustment below NOR.
- I. This represents (1) transfers to correct for prior period over-or underpricing, (2) other approved transfers for collections from customers for which an expense has not been recorded, (3) other collections (that are not transferred out, but placed in some sort of reserve) from customers for which an expense has not been recorded, or (4) for unfunded expenses resulting from a policy change, which must be deleted prior to determining NOR.
- J. The Net Operating Result (NOR) is the net result from operations. Only NOR will be carried into AOR in the Government Equity portion of the balance sheet. We are using NOR as a performance indicator of how business areas perform in relation to the standard established.

For the supply management business areas, expenses shall be recorded as obligations, except for depreciation and cost of material sold from inventory.

Additional line entries are required for supply management business areas, For each element in the surcharge applying to material such as condemnations or inventory maintenance, a separate line should be added reflecting the obligations for these items.

Instructions for the Preparation of Exhibit Fund-15 Fuel Data

The purpose of Fund-15, Fuel Data, is to provide a reconciliation between the supply management, the Defense Logistics Agency, and the customer budgets. Prepare Fund-15 for prior year actual, current year, and budget year. The Defense Stock Fund will prepare the exhibit for those stocks procured by DFSC only. Prepare exhibit for each division which procures fuel and a consolidated exhibit. Instructions for preparation of Fund-15, Fuel Data:

1. Barrels. Use 42 gallons per barrel. Show barrels in nearest tenth of million barrels.
2. Cost Per Barrel. Use cost in dollars and cents per barrel.
3. Extended Price. Multiply number of barrels by cost per barrel. Use dollars in millions and tenths of a million.
4. Product. List by product.
5. Stabilized Price. Show current approved stabilized price.

DEFENSE BUSINESS OPERATIONS FUND
COMPONENT/BUSINESS AREA: _____

MATERIAL INVENTORY DATA

(Dollars in Millions)
FISCAL YEAR

<u>Total</u>	<u>Mobilization</u>	----- <u>Peacetime</u> -----	<u>Operating</u>	<u>Other</u>
--------------	---------------------	------------------------------	------------------	--------------

Material Inventory BOP

Purchases

- A . *Purchases to Support Customer Orders (+)*
- B . *Purchase of long lead items in advance of customer orders (+)*
- C . *Other Purchases (list) (+)*
- D . *Total Purchases*

Material Inventory Adjustments

- A . *Material Used in Maintenance (and billed/charged to customer orders) (-)*
- B . *Disposals, theft, losses due to damages (-)**
- C . *Other reductions (list) (-)*
- D . *Total inventory adjustments*

Material Inventory EOP

Complete one exhibit for each fiscal year, FY PY, FY CY, FY BY1, and FY BY2 for the **non-supply** business areas (depot maintenance, etc.). Price inventory based on current policy on inventory valuation.

* This would also include reductions due to obsolescence. All other reasons for inventory reductions would be listed in item C.

Exhibit Fund-16 Material Inventory Data

DEPARTMENT OF (COMPONENT NAME)

Business Area: _____

**Summary of Real Property Maintenance Expenses
(\$ in Millions)**

FY PY FY CY FY BY1 FY BY2

Amount Funded:

Recurring Maintenance (preventive/cyclical)

Major Repair Projects (put things back to the way they were)

Total Funded Amount

Backlog - End of Year (BMAR) (not more than 4 years old)

[Provide narrative explanations of changes in the funded program and the unfunded backlog. Also discuss existing policies, if any, relative to acceptable levels of backlogs or goals to eliminate backlogs, as applicable. Provide milestones where appropriate.]

Exhibit Fund-17 Summary of Real Property Maintenance

**Fund Summary by
Component: _____
Date: _____**

(\$ in Millions)

Part I Operating and Capital Budget

<u>Business Area</u>	<u>Operating Budget (Total Cost)</u>				<u>Capital Budget (Obligations)</u>				<u>Appropriation Request</u>			
	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>

Summarize data from detail schedules. Round data to the nearest tenth of a million (e.g., show \$10.4 million, not \$10 million).

Component Total

Part II Work Load Assumptions

Indicate, by business area, the overall work load change (in percent) from year to year. Describe the basis for the estimated changes.

Part III Productivity Assumptions Incorporated into Estimated Costs and Prices

Summarize, by business area and in percentage terms, the estimated productivity assumed in estimating costs and setting prices.

Part IV Performance Measures

Summarize, by business area, primary performance measures for business outputs which describe effectiveness, timeliness, quality, or customer satisfaction.

Exhibit Fund-18 Fund Summary

**Military and Civilian Personnel
by End Strength and Full-Time Equivalencies (FTEs)**

Service or Agency: _____

Business Area: _____

<u>Personnel Summary:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Change FY CY/FY BY1</u>	<u>Change FY BY1/FY BY2</u>
----------------------------------	---------------------	---------------------	----------------------	----------------------	---------------------------------------	----------------------------------------

Active Military End Strength

Army

Officer

Enlisted

Navy

Officer

Enlisted

Marine Corps

Officer

Enlisted

Air Force

Officer

Enlisted

1/ Military end strength will agree with the amounts shown on the Fund-20 Exhibit entitled, "Military Personnel, End Strength by Grade."

Total Active Military End Strength 1/

Civilian End Strength

U.S. Direct Hire

Foreign National Direct Hire

Foreign National Indirect Hire

Total Direct Hire

2/ Civilian end strength and FTE data will agree with the directly funded amounts reflected on lines 1 through 5 of the Fund-21 Exhibit entitled, "Civilian Personnel Costs by Business Area."

Total Civilian End Strength 2/

Exhibit Fund-19 Military and Civilian Personnel by End Strength and FTEs

**Military and Civilian Personnel
by End Strength and Workyears/FTEs**

Service or Agency: _____

Business Area: _____

<u>Personnel Summary:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Change FY CY/FY BY1</u>	<u>Change FY BY1/FY BY2</u>
----------------------------------	---------------------	---------------------	----------------------	----------------------	---------------------------------------	----------------------------------------

Military Workyears

Army

Officer
Enlisted

Navy

Officer
Enlisted

Marine Corps

Officer
Enlisted

Air Force

Officer
Enlisted

Total Military Workyears

Civilian FTEs

U.S. Direct Hire

Foreign National

Direct Hire

Total Direct Hire

Foreign National Indirect Hire

Total Civilian FTEs

**Military Personnel, End Strength by Grade 1/
Total Program**

Service or Agency: _____

Business Area: _____

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Commissioned Officer</u>				
0-10 (enter rank)				
0-9 " "				
0-8 " "				
0-7 " "				
0-6 " "				
0-5 " "				
0-4 " "				
0-3 " "				
0-2 " "				
0-1 " "				
Total				
<u>Warrant Officers</u>				
W-4 (enter rank)				
W-3 " "				
W-2 " "				
W-1 " "				
Total				
Total Officers				
<u>Enlisted Personnel</u>				
E-9 (enter rank)				
E-8 " "				
E-7 " "				
E-6 " "				
E-5 " "				
E-4 " "				
E-3 " "				
E-2 " "				
E-1 " "				
Total				

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.

2/ Entry rank if different from Service.

Exhibit Fund-20 Military Personnel, End Strength by Grade (Active)

Service or Agency: _____
 Business Area: _____

Civilian Personnel Costs by Business Area
FY BY1/FY BY2 Budget Submit/President's Budget
FY_(PY/CY/BY1/BY2)
(\$ in Thousands)

	FTE Begin		FTE End			Over-	Holiday		Total	Total		Compensation
	<u>Strength</u>		<u>Strength</u>			time	Pay	<u>Other</u>	<u>Variables</u>	<u>Comp</u>	<u>Benefits</u>	<u>& Benefits</u>
	<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>FTEs</u>	<u>Pay</u>	<u>Pay</u>	<u>i</u>	<u>j</u>	<u>k</u>	<u>l</u>	<u>m</u>
	a	b	c	d	e	f	g	h				
1. Direct Hire Civilian:												
a. U.S. Employees												
(1) Classified & Admin												
(a) Senior Executive						(f/d)			(j/f)	(k/d)	(l/f)	(m/d)
(b) General Schedules												
(c) Special Schedules												
Subtotal Classified & Admin												
(Rate)												
(2) Wage Board												
(Rate)												
(3) Other												
(Rate)												
Subtotal U.S. Employees												
(Rate)												
b. Foreign National Direct Hire												
(Rate)												
c. Total Direct Hire												
(Rate)												
d. Disadvantaged Employment												
(Rate)												
2. Foreign National Indirect Hire												
(Rate)												
3. FN Separation Liability Accrual												
a. FN Direct Hire												
b. FN Indirect Hire												
4. Benefits for Former Employees (OC-13)												
a. U.S. Direct												
b. FN Direct Hire												
5. TOTAL CIVILIAN PERSONNEL												
(Rate)												

Use these formulas to calculate average salaries and rates (col x/col y)

Do not display FTP or benefit data for FN Indirect Hire

Exhibit Fund-21 Civilian Personnel Costs by Business Area

CIVILIAN PERSONNEL COSTS
Fund-21 Exhibit Instructions

Separate Fund-21 exhibits must be prepared for PY, CY, BY1, BY2 for each Military Department in total and for each appropriation/fund in which civilian personnel are funded. Exhibit Fund-21 is a modified OP-8 Exhibit. *A modified OP-8 Exhibit can be submitted in lieu of the Fund-21 Exhibit.*

Rate data on the Fund-21 exhibit should be shown parenthetically. To calculate the required rate data, use the formulas displayed on the Fund-21 Exhibit. Show the average salary for Basic Compensation, overall salary for Total Compensation, and FTE cost for Compensation and Benefits. Show the other rate data, as a percentage in decimals to five places, for total variables and benefits.

Full-time equivalent end strength (FTE) vice end strength authorizations will be displayed for all beginning and ending end strengths. FTE end strength is the actual or estimated number of employees on board as of 30 September. The beginning FTE end strength must agree with previous FYs 30 September FTE end strength.

Do not display end strength for disadvantaged employment since they are not included in the Department's end strength total. Components are not budget for disadvantaged employment. Disadvantaged employment *FTEs* (workyears) are to be financed within available resources. For both the OSD submission and the President's budget submission, display disadvantaged employment *FTEs* and funding for the PY only. Do not display disadvantaged employment *FTEs* or funding in the CY, BY1, or BY2 exhibits.

In accordance with the Federal Employees Part-Time Career Employment Act of 1978 (public Law 95-437), only part-time permanent employees are counted on a full time equivalent basis, i.e., an individual working 30 hours a week becomes .75 of an end strength. There is no adjustment for other part-time or intermittent employees - these employees would be counted on an individual basis not on a fractional basis.

Consult either DoDI 7330.18 or the Office of Personnel Management's Federal Personnel Manual (FPM) for definitions of full-time employees with permanent appointments (FTP). FTP (Full-Time Permanent), according to OMB Circular A-11, is the number of full-time employees with permanent appointments that are on board, or planned to be on board, as of the end of each fiscal year displayed. Such entries will exclude anticipated vacancies. Do not display FTP for Indirect Hire Foreign Nationals. Consult the DoDI or FPM to determine if your Foreign National Direct Hire employees are considered FTP employees.

Do not include overtime workyears in *FTE* totals. The *FTEs* on the Fund-21 exhibit are straight-time *FTEs* only. Where applicable, the BA-3 exhibit supporting the President's budget must agree with the *FTE* on the automated computer reports printed from the "Budget Review System" (BRS) and with the personnel summary data included in the program and financing schedules (galleys) for the printed budget. (See OMB Circular A-11.)

For the PY supporting the FY BY President's budget request, the end strength data must agree with the SF-113A, Monthly Report of Federal Civilian Employment, provided to OPM to report military functions employment levels as of 30 September.

- Direct hire FTE end strength data on the Fund-21 exhibit must agree with data provided on the 30 September supplement to the SF-113A report. This supplement is entitled, Report of Part-Time Permanent Employees on a Fractional Basis.
- Indirect hire end strength data must agree with the Indirect Hire supplement to the 30 September SF-113A report.
- The FTP end strength data must agree with data provided on line 30, Full-Time with Permanent Appointments, of the 30 September SF-113A.

Civilian Personnel Direct Funding (#7) will be total Civilian Personnel (#5) less reimbursable funding (#6). Provide end strength, *FTE*, and funding reimbursable data for all of the columns. Appropriations/funds (e.g., Defense Business Operations Fund, etc.) that are not funded with budget authority show all of the data as reimbursable so that "0" will be displayed in every column on the "Civilian Personnel Direct Funding" (#7) line.

DEPARTMENT OF (COMPONENT NAME)
Business Area: _____

Summary of Base Support
(\$ in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Chapel & Chaplain Services				
Command Element				
Common Use Facility Operations,				
Maintenance, Repair, & Construction				
Disaster Preparedness				
Environmental Compliance				
Fire Protection				
Libraries				
Morale & Fitness Support				
Police Services				
Safety				
Shuttle Services				
Admin Services				
Audio/Visual Services				
ADP/Automation Services				
Civilian Personnel Services				
Clubs				
Communication Services				
Community Support Services				
Confinement & Detention Centers				
Custodial Services				
Education Services				
Engineering Support				
Equipment, Operation, Maintenance, & Repair				
Explosive Ordnance				
Facilities & Real Property Support				
Facility Maintenance & Repair				
Finance & Accounting				
Food Services				
Health Services				
Housing & Lodging Services				
Information Services				
Installation Retail Supply & Storage Operation				
Laundry & Dry Cleaning				
Legal Services				
Military Personnel Support				
Mobilization Support				
Mortuary Services				
Printing & Reproduction				
Purchasing & Contracting Services				
Refuse Collection & Disposal				
Resource Management				
Training Services				
Transportation Services				
Utilities				
Weather Services				
Other Support				

Provide narrative explanations of changes in levels of support that, as a tenant, is a reimbursable cost of operation paid to a host activity or, as the host activity, is financed as a direct cost of operation.

Exhibit Fund-22 Summary of Base Support

Department of: (Service or Component Name)

Business Area: _____

Statement of Financial Condition
Part I

(Dollars in Millions)
FY PY FY CY FY BY1 FY BY2

Revenues and Financing Sources

1. *Appropriated Capital Used*
2. *Revenues from Sales of Goods and Services*
 - a. *Gross Revenue from Sales*
 - b. *Less: Credits Allowed on Sales*
3. *Other Revenue and Financing Sources*
4. *Total Revenues and Financing Sources*

Expenses

5. *Program or Operating Expenses*
6. *Cost of Goods Sold and Services Provided*
7. *Depreciation and Amortization*
8. *Bad Debts and Write-offs*
9. *Other Expenses*
10. *Total Expenses*
11. *Revenue Less Cost Incurred Before Extraordinary Items*
12. *Plus (Minus) Extraordinary Items*
13. *Net Operating Results*
14. *Plus (Minus) Nonrecoverable Amounts*
15. *Recoverable Operating Results*

Exhibit Fund-23 Statement of Financial Condition

Department of: (Service or Component Name)

Business Area: _____

Statement of Financial Condition
Part II

(Dollars in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Assets:				
Selected Assets:				
Cash				
(Available for Operations)				
(Required for Capital Purchases)				
Accounts Receivable				
Advances Made				
Inventories				
Other Assets				
Capital Property (Net)				
Total Assets				
Liabilities:				
Selected Liabilities:				
Accounts Payable				
Accrued Liabilities				
Advances Received				
Unfunded Liabilities				
Other Liabilities				
Total Liabilities				
Government Equity:				
Appropriations/Reappropriations				
Paid-in Capital (Assets Capitalized				
Less Liabilities Assumed)				
Earnings Used for Operations				
Accumulated Operating Results				
Total Government Equity				
Total Liabilities and Equity				

DEPARTMENT OF (COMPONENT NAME)

BUSINESS AREA: _____

Summary of Personnel Data - Part I

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Direct Labor:</u>	Show civilian personnel data in hours, <i>FTEs</i> , workyears, or end strength, as requested. Exclude military personnel from all data.			
Regular Hours				
Paid Leave Hours				
Overtime Hours				
Total Hours				
<i>FTEs</i>	Compute <i>FTEs</i> by dividing the applicable total number of hours by the number of hours in a work year.			
<u>Production Overhead (Indirect):</u>	Show the percent of total <i>FTEs</i> which are direct labor, production overhead, general & administrative, and the sum of production overhead plus general and administrative <i>FTEs</i> .			
Regular Hours				
Paid Leave Hours				
Overtime Hours				
Total Hours				
<i>FTEs</i>	Show the number of hours per <i>FTE</i> used to convert hours to <i>FTEs</i> for each fiscal year.			
<u>General & Administrative (G&A):</u>	Show total end strength levels.			
Regular Hours				
Paid Leave Hours				
Overtime Hours				
Total Hours				
<i>Full-time Equivalences (FTEs)</i>	$\frac{E/S \text{ Begin year} + E/S \text{ End Year}}{2}$			
<u>Total:</u>				
Regular Hours				
Paid Leave Hours				
Overtime Hours				
Total Hours				
<u>Total <i>FTEs</i>:</u>				
Percent Direct Labor				
Percent Production Overhead				
Percent G&A Labor				
Percent Production Overhead and General and Administrative				
<u>Hours per <i>FTE</i></u>				
<u>End Strength</u>				
<u><i>FTE</i> Utilization Rate</u>				

Exhibit Fund-24 Summary of Personnel Data

DEPOT MAINTENANCE
DEPARTMENT OF (COMPONENT NAME)
BUSINESS AREA: _____

Summary of Personnel Data - Part II

	<u>Civilian Personnel</u> <i>FTEs</i>	<u>Military Personnel</u> Workyears
1. FY PY Actual Levels: (Direct Labor) Production Overhead (General & Administrative)	Enter total FY PY <i>FTEs</i> . Also show <i>FTEs</i> by direct labor, production overhead, and general and administrative efforts.	
2. FY CY President's Budget (Direct Labor) (Production Overhead) (General & Administrative)	Enter total FY CY <i>FTEs</i> provided for in the FY CY President's budget. Also show <i>FTEs</i> by direct labor, production overhead, and general and administrative efforts.	
3. Productivity Initiatives and Other Efficiencies: a. b. c. (etc.)	Show changes in FY CY <i>FTEs</i> due to productivity initiatives or other efficiencies.	
4. Program Changes: a. b. c. (etc.)	Show changes in FY CY <i>FTEs</i> due to all changes other than productivity initiatives or other efficiencies shown in 3. above.	
5. FY CY Current Estimate (Direct Labor) (Production Overhead) (General & Administrative)	Enter total FY CY <i>FTEs</i> provided for in the current FY CY estimate. Also show <i>FTEs</i> by direct labor, production overhead, and general and administrative efforts.	
6. Productivity Initiatives and Other Efficiencies: a. b. c. (etc.)	Show changes in FY BY1 <i>FTEs</i> due to productivity initiatives or other efficiencies.	
7. Program Changes: a. b. c. (etc.)	Show changes in FY BY1 <i>FTEs</i> due to all changes other than productivity initiatives or other efficiencies shown in 6. above.	
8. FY BY1/FY BY2 Estimates (Direct Labor) (Production Overhead) (General & Administrative)	Enter total FY BY1/FY BY2 <i>FTEs</i> by direct labor, overhead, & general & administrative efforts. Provide the same track between BY1 & BY2 as is required between CY & BY1.	

Headquarters
Component: _____
Business Area: _____
Date: _____

Headquarters Organization (specify)	<u>FY PY</u>	(\$ in Millions) <u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Cost of Operations:				
Civilian and Military Personnel				
Travel				
Contract Services				
Supplies				
Equipment				
Other				
Total				
Capital Purchases (Program Year Authority):				
ADP & Telecommunications Equipment				
Non-ADP & Telecommunications Equipment				
Minor Construction				
Software Development				
Total				
End Strength/FTEs:				
Civilian				
SES				
GS				
WB				
Total				
Military				
Officers				
Enlisted				
Total				

(This exhibit should be filled out for each organizational headquarters whose costs are financed through the Fund, i.e., HQ Staff, Major Command, Intermediate Level Command, or Base Level. Headquarters should include support organizations whose incremental costs are necessitated by the existence of DBOF activities, such as Regions, Service Centers, or Divisions, but which do not directly provide goods or services.)

Exhibit Fund-25 Headquarters Cost

Revenue and Expense Phasing Plan
Component: _____
Business Area: _____

FY _____

(Dollars in Thousands)

	<u>Revenue</u>	<u>Monthly Plan Costs</u>	<u>Net Operating Result</u>
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			

Instructions: Provide a monthly and cumulative phasing of revenue, costs, and net operating results for the current and budget years.

Cumulative Plan by Month

	<u>Revenue</u>	<u>Costs</u>	<u>Net Operating Result</u>
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			

Exhibit Fund-26 Revenue and Expense Phasing Plan

**Defense Finance and Accounting Service
Customer Funding Summary
Component: _____**

FY_____

<u>Billing</u>	<u>Estimated</u>	<u>Total</u>
<u>Rate (\$)</u>	<u>Workload</u>	<u>Cost (\$ in thousands)</u>

Output Measure

(List DFAS output measures and billing rates for budget years.)

Funding Requirement

Appropriation/Business Area

Amount

(List by appropriation DFAS reimbursements from DBOF business areas)

The Components should provide in their budget narrative an estimate of the DFAS cost for each business are and complete the Fund-27, DFAS Customer Funding Summary.

Exhibit Fund-27 DFAS Customer Funding Summary

**EXECUTION PERFORMANCE
Quarterly Analysis**

For Quarter: _____

FY CY
_____ (Component and Business Area name)

<u>PERFORMANCE MEASURES</u>	<u>PLAN CURRENT QUARTER</u>	<u>ACTUAL</u>	<u>DEVIATION</u>	<u>ANNUAL PLAN</u>	<u>PROJECTED END YEAR</u>	<u>PROJECTED DEVIATION</u>
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UNIT COST

% OF FY PY COSTS

NOR (\$ in M)

REVENUE (\$ in M)
COST (\$ in M)

OUTLAYS (\$ in M)

COLLECTIONS (\$ in M)
DISBURSEMENTS (\$ in M)

RECEIVABLES (\$ in M)

ANALYSIS

This business area has unearned revenue (advance billings) of \$ _____ million.

RECOMMENDED ACTIONS:

YEAR END PROJECTION ASSUMPTIONS:

IMPACT IN FY BY:

Exhibit Fund-28 Execution Performance Quarterly Analysis

**Civilian Personnel Execution Performance
Quarterly Analysis**

Business Area _____

Date _____

	<u>Total End Strength</u>						<u>Total Full-Time Equivalency*</u>						<u>Date(s) of VSIP\ VERA</u>
	<u>Quarterly Plan</u>		<u>Actual</u>		<u>Deviation</u>		<u>Quarterly Plan</u>		<u>Actual</u>		<u>Deviation</u>		
	<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	
Beginning Strength (actual)													
First Quarter	(Cumulative by quarter)												
Second Quarter													
Third Quarter													
Fourth Quarter													
Annual Total FTEs*													

	<u>Attrition</u>			<u>Hiring</u>		
	<u>Planned</u>	<u>Actual</u>	<u>Rate (%)</u>	<u>Planned</u>	<u>Actual</u>	<u>Rate (%)</u>
First Quarter						
Second Quarter						
Third Quarter						
Fourth Quarter						

* Equals the USD (P&R) goal/target

Exhibit Fund-29 Civilian Personnel Execution Performance Quarterly Analysis