

VOLUME 11B, CHAPTER 14: “MOBILIZATION COSTS”**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue and underlined font](#).

The previous version dated [February 2017](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.2 (140102)	Revised paragraph to clarify the purpose of the chapter.	Revision
1.3 (104103)	Revised paragraph to additional Authoritative Guidance.	Revision
3.1 (140301)	Added language to clarify that the cost required to maintain unutilized property and equipment must be reimbursed by the Department of Defense Component responsible for the activity’s management unless funds have been appropriated directly to the Defense Working Capital Fund for that purpose.	Revision

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CHAPTER 14

MOBILIZATION COSTS

1.0 GENERAL (1401)

1.1 Overview (140101)

Each Defense Working Capital Fund (DWCF) activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions when required. The nature and extent of the costs to be paid by a separate appropriation rather than charged to other customers through the rates must be in accordance with this policy.

*1.2 Purpose (140102)

1.2.1. The policy contained herein addresses the requirement for a separate appropriation to finance the cost of maintaining a mobilization capability during peacetime; these are not normal operating costs that are passed on to DWCF customers. This policy applies to all DWCF activity groups. This requirement is hereafter referred to as a mobilization requirement.

1.2.2. The Statement of Federal Financial Accounting Standards 4 (SFFAS 4), “Managerial Cost Accounting Standards and Concepts,” provides the managerial cost accounting concepts and standards for the Federal Government aimed at providing reliable and timely information on the full cost of federal programs, their activities, and outputs. SFFAS 4 provides a general understanding of cost accounting, definitions of direct and indirect costs, and the methodology for accumulating the total costs of the supporting DWCF mobilization/surge activities.

*1.3 Authoritative Guidance (140103)

The National Defense Authorization Act delineates appropriations for mobilization costs. The following accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 10, United States Code, section 2208 (10 U.S.C. § 2208), "Working Capital Funds;"

1.3.2. 10 U.S.C. § 7541, "Army Arsenal: Treatment of Unutilized or Underutilized Plant Capacity Cost;" and

1.3.3. SFFAS 4, “Managerial Cost Accounting Standards and Concepts.”

2.0 DEFINITIONS (1402)

2.1 Mobilization Capability Costs (140201)

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 the Secretary's force planning guidance or operational plans.

2.2 Surge Capacity (140202)

2.2.1. An activity group's total surge capacity often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations. Unutilized Capacity is that part of a DWCF activity's assets including plant and equipment that is held in a standby, idle, or lay away status or for war reserve storage. The DWCF uses a separate appropriation to procure and/ or maintain wartime reserve materials, and to maintain other assets, functions, or capabilities required to meet an operational contingency.

2.2.2. Unutilized capacity associated with the ability to satisfy a projected surge capability is considered a mobilization requirement eligible for separate appropriation funding if it is utilized only 20 percent or less of available workdays in a month. The DWCF rates must not include the cost of unutilized capacity. Instead, the host activity will budget direct appropriated fund support (labor, materials, contractual support, and overhead) for the unutilized capacity and will reimburse the DWCF activity for costs incurred in the DWCF.

2.2.3. Unutilized capacity associated with the ability to provide capability in excess of any known or projected requirement is not a mobilization requirement.

2.3 War Reserve Materiel (140203)

War reserve materiel includes secondary items procured and/or stored in support of wartime scenarios established in the Secretary's force planning guidance or contingency operations identified in specific Operational Plans.

3.0 FUNDING (1403)

*3.1 Operations (140301)

The cost incurred to maintain unutilized plant and equipment capacity must be reimbursed by the Department of Defense (DoD) Component responsible for the activity's management unless funds have been appropriated directly to the DWCF for that purpose. The DWCF activity must separately accumulate the portions of direct, indirect, and general and administrative (G&A) costs supporting the maintenance of this capacity. When a portion of a DWCF activity's plant is purposely set aside as idle capacity, the Component must request a direct operation and maintenance appropriation to pay for the cost of essential operation and maintenance for that portion of the plant and idle equipment as well as an allocated portion of G&A costs. The

percentage of G&A costs allocated to the cost center for the unutilized plant capacity must be the same as the percentage of G&A costs allocated to other cost elements of the activity. Separate cost centers must be maintained for all such costs.

3.2 War Reserve Materiel (140302)

The purchase of secondary items of supply, **such** as War Reserve Materiel, must be funded from a direct appropriation. The applicable Supply Management or Commissary Resale activity Annual Operating Budget must reflect such appropriated amounts as a separate goal. Items such as ammunition and/or principal and major end items procured for war reserve must not be funded with DWCF, but must be funded through amounts available to Component/Defense Agency procurement appropriations.

3.3 Capital Investments (140303)

Component procurement appropriations must fund new capital asset investments at DWCF activities necessary to satisfy a mobilization requirement. The DWCF activity groups must assume ownership of such assets. New capital assets to satisfy a mobilization requirement (as well as other, older capital assets laid away for use in mobilization) must be depreciated for reporting purposes on the Accounting Report (Monthly) 1307 (AR(M) 1307). These expenses are non-recoverable for rate setting purposes because the assets are funded by appropriations, see Volume 2B, Chapter 9.

3.4 United States Transportation Command (140304)

The United States Transportation Command (USTRANSCOM) activity must maintain a capability to respond expeditiously to requirements to transport personnel, material, or other elements required to satisfy a mobilization condition. The following paragraphs describe direct appropriations, requested by the Air Force or Army, as appropriate, that support USTRANSCOM operations.

3.4.1. The Air Mobility Command (AMC) bases airlift flying hours and associated costs on the requirement to maintain the capability of the airlift system, including crew training (and concurrent mobilization) requirement. The DoD uses the airlift system training generated capacity to move air eligible cargo and passengers. The USTRANSCOM generally establishes rates that are competitive with commercial carriers to extend air eligibility and increase capacity utilization. However, resulting revenue does not cover the costs of operations due to the mobilization requirement. This requirement will be budgeted and recorded as follows:

3.4.1.1. The costs for military personnel will be recorded at the civilian equivalency rate in accordance with the policy on Military Personnel Expense in Chapter 12. A Military Personnel appropriation will directly fund military personnel within the AMC. These expenses must be reported on the AR(M) 1307; they are recoverable for rate setting purposes because the expenses are reimbursed to the respective Military Personnel appropriation, see Volume 2B, Chapter 9.

3.4.1.2. The Air Force will request a direct appropriation for and place an order with the DWCF to fund the balance of the mobilization requirement costs. This will assure that revenue is reflected to offset the costs.

3.4.2. The Surface Deployment and Distribution Command must plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material and other elements required to satisfy a mobilization requirement. The costs of RIC will be funded by the Army Operation and Maintenance appropriation.

4.0 ACCOUNTING (1404)

4.1 Cost Center Capability (140401)

DWCF activities must establish a cost center capability to separately account, [in accordance with SFFAS 4](#), for all costs applicable to the continuance of a mobilization requirement. Where necessary, DWCF activities must maintain such costs to the function or task level, as necessary to segregate costs between normal operating costs and mobilization costs.

4.2 War Reserve Items (140402)

DWCF activities must account for purchases of DWCF-funded War Reserve items at the same level of detail as items procured for peacetime requirements, recording amounts in separate general ledger accounts, or appropriate subaccounts, to retain separate visibility of such assets. Inventory levels funded by such amounts are not available for sale; therefore, DWCF activities must maintain and report War Reserve costs separately to ensure that the unit cost targets for Supply Management activities are not affected.

5.0 REPORTING (1405)

The DWCF activities must record and report financial information on the maintenance of a mobilization capability in accordance with the DoD accounting and reporting requirements specified for the DWCF. AR(M) 1307 must be prepared to include a footnote that identifies the amount of the mobilization requirement costs that are funded through direct appropriations or reimbursable orders accepted specifically for mobilization requirements.