

Required Supplementary Stewardship Information

Nonfederal Physical Property

Department of Defense Consolidated Nonfederal Physical Property Yearly Investments in State and Local Governments For Fiscal Years 2007 through 2003 (In Millions of Dollars)					
Categories	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Transferred Assets:					
National Defense Mission Related	\$ 23.0	\$ 66.5	\$ 70.7	\$ 54.7	\$ 85.0
Federal Mission Related	1,028.0	1,229.0	1,324.0	4,429.0	NR
Funded Assets:					
National Defense Mission Related	2.8	8.5	8.3	18.3	11.3
Total	\$ 1,053.8	\$ 1,304.0	\$ 1,403.0	\$ 4,502.0	\$ 96.3

NR = Not Reported

The Department incurs investments in Nonfederal Physical Property for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements, the purchase of major equipment, and the purchase or improvement of other physical assets. In addition, Nonfederal Physical Property Investments include federally-owned physical property transferred to state and local governments.

The Department changed its methodology for reporting Nonfederal Physical Property during FY 2007. Investment values included in this report are based on Nonfederal Physical Property outlays (expenditures). Outlays are used because current Department accounting systems are unable to capture and summarize costs in accordance with federal accounting standards.

Investments in Research and Development

Department of Defense Consolidated Yearly Investments in Research and Development For the Current and Four Preceding Fiscal Years (In Millions of Dollars)					
Categories	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Basic Research	\$ 71.1	\$ 157.1	\$ 199.5	\$ 194.6	\$ 516.8
Applied Research	430.2	1,442.5	1,713.1	1,711.2	1,775.7
Development					
Advanced Technology Development	1,052.3	2,308.6	3,096.1	2,761.4	2,445.4
Advanced Component Development and Prototypes	5,217.7	7,232.7	8,745.3	7,278.0	5,569.6
System Development and Demonstration	236.3	515.7	461.7	345.7	1,380.9
Research, Development, Test and Evaluation Management Support	465.2	963.1	1,035.8	997.0	960.2
Operational System Development	340.8	713.4	876.8	1,213.2	1,099.9
Total	\$ 7,813.6	\$ 13,333.1	\$ 16,128.4	\$ 14,501.1	\$ 13,748.5

The Department changed its methodology for reporting Yearly Investments in Research and Development during FY 2007. Investment values included in this report are based on Research and Development (R &D) outlays (expenditures). Outlays are used because current Department accounting systems are unable to capture and summarize costs in accordance with Federal accounting standards. The R&D programs are classified in three categories: Basic Research, Applied Research and Development. The definition for each type of R&D Category and the Development Subcategories are explained below:

- Basic Research is the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications, processes, or products in mind. Basic Research involves gathering a fuller knowledge or understanding of the subject under study. Major outputs are scientific studies and research papers.
- Applied Research is the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met. It is the practical application of such knowledge or understanding for the purpose of meeting a recognized need. This research points toward specific military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Major outputs are scientific studies, investigations, research papers, hardware components, software codes, and limited construction of, or part of, a weapon system to include nonsystem-specific development efforts.
- Development takes what has been discovered or learned from basic and applied research and uses it to establish technological feasibility and to assess operability, and production capability. Development is comprised of five stages defined below:
 - Advanced Technology Development is the systematic use of the knowledge or understanding gained from research directed toward proof of technological feasibility and assessment of operational and productivity aspects rather than the development of hardware for service use. It employs demonstration activities intended to prove or test a technology or method.
 - Advanced Component Development and Prototypes evaluates integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology. Programs in this phase are generally system specific. Major outputs of hardware and software components, or complete weapon systems, ready for operational and developmental testing and field use.
 - System Development and Demonstration concludes the program or project and prepares it for production. It consists primarily of preproduction efforts, such as logistics and repair studies. Major outputs are weapons systems finalized for complete operational and developmental testing.
 - Research, Development, Test and Evaluation Management Support is support for installations and operations for general research and development use. This category includes costs associated with test ranges, military construction maintenance support for laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the R&D program.
 - Operational Systems Development is concerned with development projects in support of programs or upgrades still in engineering and manufacturing development, which have received approval for production, for which production funds have been budgeted in subsequent fiscal years.