

# **DEFENSE WORKING CAPITAL FUND**

**DEFENSE-WIDE  
FISCAL YEAR (FY) FY 2009  
BUDGET ESTIMATES**

**OPERATING AND CAPITAL BUDGETS**



**FEBRUARY 2008  
CONGRESSIONAL DATA**

**DEFENSE-WIDE WORKING CAPITAL FUND  
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES  
February 2008**

**DEFENSE-WIDE SUMMARY**

Defense Agencies operate seven activity groups. The Defense Logistics Agency (DLA) operates four of these activity groups while the Defense Finance and Accounting Service (DFAS) operates one activity group and the Defense Information Systems Agency (DISA) operates two activity groups. DFAS merged its two business areas (Financial Operations and Information Services) in FY 2008 to further consolidate its organization structure.

DFAS was formed in January 1991 from the Military Services finance and accounting functions. The mission of DFAS is to provide Accounting and Finance services for the Department of Defense. From FY 2007 to FY 2009, DFAS will reduce its workforce by 16% by implementing Base Realignment and Closure actions and other management efficiencies.

DISA was reorganized in 1991 from the former Defense Communications Agency. Its responsibilities include obtaining common telecommunication and information services for command and control. DISA also provides assistance in additional communication support to meet other customer needs.

DLA, formed in the early 1960s, operates the Distribution Depots, Defense Reutilization and Marketing Service, Supply Management, and Document Automation and Production Service activity groups. Distribution Depots receive, store, and ship inventory. The functions of the Defense Reutilization and Marketing Service include the reutilization of excess and surplus property and the donation, sale, or disposal of surplus DoD personal property. Supply Management conducts the procurement, inventory management, and technical operations functions for the defense inventory of consumable items. The Document Automation and Production Service provides printing services to DoD customers and actively functions as a transformation agent moving DoD toward the use of online documents and services.

The Defense-Wide DWCF, does not present a peacetime budget. Projected workload, staffing, and other planning factors provide the estimated wartime workload.

**DEFENSE-WIDE WORKING CAPITAL FUND CASH**

The chart below displays the actual Defense-Wide Working Capital Fund (DWWCF) cash balance at the end of FY 2007 and balances projected for year-end through FY 2009.

Dollars in Millions	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<b>Beginning of Period, Cash</b>	<b>1,463.3</b>	<b>1,791.4</b>	<b>1,800.2</b>
Disbursements	39,147.3	45,316.2	43,926.7
Collections	39,361.0	45,028.9	43,517.5
Net Outlays	-213.7	287.3	409.2
<u>Appropriation</u>			
FY 2007 Non-Fuel	17.6		
FY 2008 Non-Fuel		22.8	
FY 2009 request Non-Fuel			32.9
<u>Supplemental</u>	471.7		
FY 2007 DoD Supplemental		313.3	
FY 2008 DoD GWOT Request			
<u>Distribution of FY 2006 Fuel</u>			
<u>Supplemental</u>	-374.9		
FY 2006 DoD Title IX - Fuel			
<u>Congressional Cash Reduction</u>			
FY 2008 Non-Fuel		-40.0	
<b>Ending of Period, Cash</b>	<b>1,791.4</b>	<b>1,800.2</b>	<b>1,423.9</b>

**FY 2007 Cash:** In FY 2007, DWWCF net outlays from operations were -\$213.7 million. In addition to making cash, DWWCF received \$17.6 million in appropriations for Reutilization, Transfer, and Disposal costs (\$15.6 million) and DFAS financial systems costs (\$2.0 million). The DWWCF also received \$471.7 million in supplemental funding (Supply Management: Non-Energy - \$156.3 million for Combat Inventory Recap, and Energy - \$296.1 million for Fuel Transportation and Combat Fuel Losses; Distribution Depots - \$15.5 million for Theater Redistribution; and Defense Reutilization and Marketing Service - \$3.8 million for Operations). In addition, \$374.9 million of previously apportioned fuel supplemental funding (provided in Title IX of P.L. 109-148, the DoD Appropriations Act of 2006) was redistributed from Defense-Wide Working Capital Fund to DWCF activities effected by increased fuel costs in FY 2006 (\$262.4 million to the Air Force Working Capital Fund and \$112.5 million to the Navy Working Capital Fund).

**FY 2008 Cash:** In FY 2008, DWWCF net outlays from operations are projected to be \$287.3 million. The DWWCF received \$22.8 million in appropriations for Reutilization, Transfer,

and Disposal costs (\$20.9 million) and DFAS financial systems costs (\$1.9 million). The DWWCF requested \$313.3 million in supplemental funding for Supply Management Energy (\$192.1 million for Fuel Transportation, \$86.8 million for Combat Fuel Losses, and \$16.1 million for Fuel Terminal Operations), Distribution Depots (\$13.0 million for Theater Redistribution), and Defense Reutilization and Marketing Service (\$5.3 million for Operations). The Consolidated Appropriation Act (P.L. 110-161) provided \$280.1 million against the supplemental request. The DWWCF had a Congressional cash reduction of \$40.0 million for excess FY 2006 DWCF cash balances. The FY 2008 DWWCF cash balance is forecasted at \$1,800.2 million or 9.5 days of cash.

**FY 2009 Cash:** In FY 2009, DWWCF net outlays from operations are projected at \$409.2 million. The DWWCF is requesting \$32.9 million in appropriations for Reutilization, Transfer, and Disposal costs (\$30.6 million) and DFAS financial systems costs (\$2.3 million). The FY 2009 DWWCF cash balance is forecasted at \$1,423.9 million or 7.8 days of cash.

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL  
SOURCE OF NEW ORDERS AND REVENUE  
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES  
FEBRUARY 2008  
(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders:			
a. Orders from DoD Components			
Army	12,688.0	12,131.1	11,370.4
Navy	7,707.6	8,227.1	8,063.0
Air Force	11,066.2	12,529.9	12,279.4
Marine Corps	1,300.5	1,247.0	1,282.2
Other	2,707.9	3,482.5	3,705.2
b. Orders from Other Fund Activity Group	2,523.8	2,787.0	2,728.4
c. Total DoD	37,994.0	40,404.6	39,428.6
d. Other Orders:			
Other Federal Agencies	1,019.2	1,117.2	1,078.7
Trust Fund	0.0	0.0	0.0
Exchange Activities	0.0	0.0	0.0
Non Federal Agencies	829.7	1,228.8	1,175.0
Foreign Military Sales	957.2	1,133.3	1,108.1
2. Carry-In Orders	2,257.2	3,176.0	2,613.6
3. Total Gross Orders	43,057.3	47,059.9	45,404.0
4. Funded Carry Over	3,256.6	2,612.9	2,559.1
5. DRMS Sales Proceeds	78.0	51.6	49.6
6. Total Gross Sales	39,878.7	44,498.6	42,894.5

**DEFENSE-WIDE WORKING CAPITAL FUND  
SUMMARY  
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES  
REVENUE AND EXPENSES  
FEBRUARY 2008  
(Dollars in Millions)**

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<b>Revenue:</b>			
Gross Sales	39,878.6	44,305.6	42,727.4
Operations	39,622.7	44,118.7	42,560.4
Capital Surcharge	22.5	(54.2)	(54.0)
Depreciation excluding Major Construction	233.4	241.1	221.0
Major Construction Depreciation	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0
Other Income	772.8	1,581.1	1,507.6
Refunds/Discounts (-)	(827.2)	(887.4)	(850.0)
<b>Total Income</b>	<b>39,824.2</b>	<b>44,999.3</b>	<b>43,385.0</b>
<b>Expenses:</b>			
Cost of Materiel Sold from Inventory	28,237.3	30,958.7	29,570.9
Materiel-Related	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	60.7	53.2	55.1
Civilian Personnel Compensation & Benefits	2,834.2	3,008.8	3,048.5
Travel & Transportation of Personnel	46.2	80.6	85.2
Materials & Supplies (For Internal Oper)	312.9	425.5	427.7
Equipment	103.8	188.3	208.4
Other Purchases from Revolving Funds	975.6	1,085.1	1,123.2
Transportation of Things	1,108.0	1,079.0	918.8
Inventory Maintenance	0.0	15.0	11.4
Depreciation - Capital	293.8	382.4	334.0
Printing & Reproduction	220.9	281.7	284.1
Advisory and Assistance Services	28.3	51.0	49.8
Rent, Communication, Utilities, & Misc.	1,731.6	1,679.0	1,814.1
Other Purchased Services	3,919.8	6,354.2	5,995.3
<b>Total Expenses</b>	<b>39,873.1</b>	<b>45,642.5</b>	<b>43,926.5</b>
<b>Operating Result</b>	<b>(48.9)</b>	<b>(643.2)</b>	<b>(541.5)</b>
Less Capital Surcharge Reservation	(22.5)	54.2	55.5
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	871.5	197.3	(109.2)
<b>Net Operating Result (NOR)</b>	<b>800.1</b>	<b>(391.7)</b>	<b>(595.2)</b>
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	67.4	(86.3)	(29.9)
Prior Year AOR	(236.7)	289.9	(188.3)
<b>Accumulated Operating Result (AOR)</b>	<b>630.8</b>	<b>(188.1)</b>	<b>(813.4)</b>
Non-Recoverable Adjustments Impacting AOR	(341.0)	0.0	0.0
<b>Accumulated Operating Results for Budget Purposes</b>	<b>289.8</b>	<b>(188.1)</b>	<b>(813.4)</b>

## **DEFENSE FINANCE AND ACCOUNTING SERVICE**

### **OVERVIEW**

As the world's largest finance and accounting operation, the Defense Finance and Accounting Service's mission is to provide responsive, professional finance and accounting services to active, reserve and retired military as well as DoD and other civilian employees. DFAS works in partnership with defense agencies, the military services, and the combatant commands to provide timely business information to key decision makers. The focus is on getting customers timely and accurate information to effectively manage their resources. To serve their customers' needs, DFAS performs multiple roles and provides a diverse set of services.

DFAS performs an important role in support of American forces mobilized around the world. By focusing on the finance and accounting needs of the military services, the war fighters can concentrate on the mission. DFAS is committed to performing timely finance and accounting services at the lowest cost, with a high degree of accuracy, utilizing electronic processes wherever possible.

With multiple locations around the world and easily accessible internet sites, DFAS's military and civilian customers can access payroll information anywhere a secure internet connection is available. For example, customers are able to enter time and attendance, process travel claims, expedite payment of claims, and receive electronic leave and earnings statements and W-2s.

DFAS continues to efficiently process customer invoices in an accurate and timely manner. Increased usage of electronic commerce (electronic receipt of contracts, invoices and receiving reports) reduces cycle time, errors and rework, supports E-government, and facilitates auditability, allowing for reduced customer bills and more resources to support the warfighter.

During FY 2007, DFAS processed over \$154 million pay transactions, disbursed over \$446 billion, and posted over 54 million accounting general ledger transactions. DFAS managed more than \$328 billion in the Military Retirement Trust Fund and in the Medicare-Eligible Retiree Health Care Fund. DFAS continuously pursues initiatives to enhance our value to the customer by improving service and reducing costs.

The information and technology function focuses on continuous improvement of DFAS's systems and infrastructure support services. It allows DFAS to take advantage of evolving technology, improving ability to compute entitlements, disburse and account for funds. The evolution of technology and the potential to enable major improvements in business practices necessitates continuous top management focus on information and technology planning, systems development/maintenance and daily infrastructure operations.

The Base Realignment and Closure (BRAC) decision coincides with the mandate to provide finance and accounting services at the lowest cost by maximizing efficiency through

reorganization of people and processes. Since the beginning of BRAC, DFAS closed eleven sites as of December 31, 2007. The remaining sites will be closed by the end of the first quarter FY 2011. Transformation during BRAC allows DFAS to achieve an optimal distribution of workload, improve oversight and control, eliminate redundant systems, and sustain successful mission operations. By leveraging BRAC decisions, DFAS is able to improve operational structure and business processes while shedding excess capacity. DFAS uses BRAC and transformation to facilitate the implementation of strategic goals to improve operational performance and service while improving the availability, visibility and usefulness of financial management information. After completion of all actions in 2011, DFAS will be operating from five primary locations vice the original 26 locations, allowing for increased efficiency of operations. In addition, effective in FY 2008 transformation has completed other Financial Operations and Information Services Business Areas into one Business Area for a more streamlined operation.



## DFAS ACTIVITIES AND LOCATIONS – POST BRAC

### Financial Operations Business Area:

#### Directorates:

Directorate of Corporate Organizations  
Directorate of Operations  
Directorate of Strategic Business Management

#### Locations:

Indianapolis, Indiana  
Rome, New York  
Columbus, Ohio  
Limestone, Maine  
Cleveland, Ohio

### FINANCIAL OPERATIONS BUDGET

The Financial Operations business area is composed of three Functional Divisions. Corporate Organizations includes agency support activities such as Corporate Resources, General Counsel, Internal Review, etc. which impact most of the agency operations. Operations, the largest organization, is responsible for military and civilian pay services, commercial pay services, and accounting services. In addition to these components, DFAS is also responsible for safeguarding U.S. funds through the delivery of payments and receipt of collections, providing prompt payment, accurate and timely disbursing service, and reporting Disbursing Officer accountability to the Department of Treasury. The third is Strategic Business Management, where agency planning functions and transformation as well as performance measurements are performed.

The following table identifies costs, revenue, and workforce data for FY 2007 through 2009:

	<b>(Dollars in Millions)</b>		
<b><u>Funding:</u></b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
Costs	1,524.1	1,498.6	1,416.8
Revenue	1,488.2	1,500.2	1,431.4
<b><u>Personnel:</u></b>			
Civilian End Strength (E/S)	12,273	11,169	10,574
Civilian Workyears (FTE)	12,293	11,500	10,679
Military End Strength	259	47	28

**FY 2007 President's Budget to FY 2007 Actual Cost:** DFAS continues to reduce workyears and overhead costs. The decrease is a result of transforming Financial Operations and Information Services into one Business Area. Further, economies were realized through BRAC closures/realignments, Transformation, and implementation of High Performing Organizations.

**FY 2007 Actual Cost to FY 2008 Estimate:** Costs reflect a decrease of \$12.2 million as a result of completing the transformation of the Financial Operations and Information Services into one Business Area. Further, economies were realized through continuing BRAC closures/realignments, Transformation, and implementation of High Performing Organizations.

**FY 2008 Estimate to FY 2009 Estimate:** Costs reflect a decrease of \$94.7 million as a result of continuing BRAC closures/realignments, Transformation, and implementation of High Performing Organizations.

### **Net Operating Results - Financial Operations**

	<b>(Dollars in Millions)</b>		
	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
Revenue	1,488.2	1,513.5	1,446.3
Costs	1,524.1	1,511.9	1,417.2
<b>NOR</b>	<b>-35.9</b>	<b>1.6</b>	<b>29.1</b>

## INFORMATION SERVICES BUDGET BY ACTIVITY GROUP

### Information Services Budget Activity Group:

The Information Services business area is composed of the major business line – Technology Services Organization (TSO) headquartered at Kansas City with locations throughout DFAS.

The following table identifies costs, revenue, and workforce data for FY 2007 through 2009:

	(Dollars in Millions)		
<u>Funding:</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Costs	14.1	N/A	N/A
Revenue	24.7	N/A	N/A
<u>Personnel:</u>		N/A	N/A
Civilian End Strength (E/S)	-	N/A	N/A
Civilian Workyears (FTE)	33	N/A	N/A
Military End Strength	N/A	N/A	N/A

**FY 2007 President’s Budget to FY 2007 Actual Cost:** In the FY 2007 Program Budget Review, Information Services was merged with Financial Operations Business Area. FY 2007 reflects residual in-process work to be completed. The full merger is complete now.

**FY 2007 Actual Cost to FY 2008 Estimate:** The residual costs in FY 2007 represent the continuation of the Business Area to complete carry-over work only. The remaining functionality was transformed into the Financial Operations Business Area.

### Operating Results – Information Services

	(Dollars in Millions)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$ 24.7	N/A	N/A
Costs	\$ 14.1	N/A	N/A
NOR	\$ 10.6	N/A	N/A
AOR*	\$ 29.4	N/A	N/A

\*\$29.4M transfers to Financial Operations, Information Services closes in FY2007

**Fiscal Year (FY) 2009-2010 Budget Estimates  
 Changes in the Costs of Operation  
 Defense Finance and Accounting Service  
 February 2008  
 (Dollars in Millions)**

	<b>Expenses</b>
<b>FY 2007 Estimate:</b>	<b>1,529.7</b>
Pricing Adjustment: Customer Workcount Adjustment	8.5
<b>FY 2007 Actual</b>	<b>1,538.2</b>
Pricing Adjustments:	
Pay Raises/Inflation	37.5
Depreciation	(18.6)
Program Changes:	
Increase to support the BTA	13.3
BRAC Transformation/Workload Efficiencies	(58.5)
<b>FY 2008 Estimate:</b>	<b>1,511.9</b>
Pricing Adjustments:	
Pay Raises/Inflation	39.8
Depreciation	(26.5)
Program Changes:	
Transfer of Overseas Banking Program	0.4
BRAC Transformation/Workload Efficiencies	(108.4)
<b>FY 2009 Estimate:</b>	<b>1,417.2</b>

**Fiscal Year (FY) 2009 - 2010 Budget Estimates**  
**Sources of Revenue**  
**Defense Finance and Accounting Service**  
**February 2008**  
**(Dollars in Millions)**

	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
<b>a. Orders from DoD Components:</b>			
O&M, DW - Armed Forces Information Service	0.9	2.0	1.4
O&M, DW - Army Corps of Engineers	2.9	2.8	3.0
O&M, DW - Defense Acquisition University	0.7	0.5	0.5
O&M, DW - Defense Contract Audit Agency	4.3	4.5	4.5
O&M, DW - Defense Contract Management Activity	6.4	6.8	6.4
O&M, DW - Defense Health Program	35.9	28.3	31.3
O&M, DW - Defense Information Systems Agency	10.4	8.7	8.2
O&M, DW - Defense Information Technology Contracting Office	3.9	5.5	6.7
O&M, DW - Defense Intelligence Agency	0.8	0.5	0.7
O&M, DW - Defense Prisoner of War/Missing Personnel Office	0.3	0.4	0.2
O&M, DW - Defense Security Service	0.5	0.8	0.5
O&M, DW - Defense Technical Information Center	1.6	1.4	1.7
O&M, DW - Defense Technology Security Administration	0.2	0.2	0.1
O&M, DW - Defense Test Resource Management Center*	0.0	0.0	0.0
O&M, DW - Defense Threat Reduction Agency	3.5	3.5	3.2
O&M, DW - DISA, White House Communications Agency	0.0	0.0	0.0
O&M, DW - DoD Education Activity	6.8	7.3	7.9
O&M, DW - DoD Human Resources Activity	1.2	10.4	13.0
O&M, DW - DoD Inspector General	1.5	1.4	1.7
O&M, DW - Executive Office of the President	0.2	0.2	0.1
O&M, DW - National Defense University	0.8	0.3	0.3
O&M, DW - National Geospatial Agency	0.8	2.4	2.4
O&M, DW - National Security Agency	0.9	1.3	1.0
O&M, DW - Office of the Joint Chiefs	1.1	1.2	0.9
O&M, DW - Washington Headquarters Service	10.5	23.1	5.9
O&M, Department of Transportation - Coast Guard	0.1	0.1	0.1
O&M, Air Force	271.3	260.3	257.6
O&M, Army	547.4	536.6	529.4
O&M, Defense Logistics Agency	2.3	9.9	7.3
O&M, Marine Corps	68.3	58.7	64.6
O&M, Navy	220.0	219.3	211.2
O&M, Navy Reserve	3.5	2.7	2.9
O&M, Office of Economic Adjustment	0.3	0.4	0.3
O&M, Business Transformation Agency	7.4	15.1	2.6
O&M, Defense Agencies (Other)	0.0	0.5	0.3
RDT&E, DW - Armed Forces Radiation Research Institute	0.0	0.0	0.0
RDT&E, DW - Defense Advance Research Projects Agency	2.0	2.2	2.3
RDT&E, DW - Missile Defense Agency	2.4	2.8	2.7
RDT&E, DW - SDA White Sands	0.1	0.2	0.1
RDT&E, Navy	2.8	3.1	3.2
<b>b. Orders from Other Fund Activity groups</b>			
WCF, Pentagon Force Protection Agency	0.2	0.2	0.2
WCF, Air Force	14.8	17.2	9.6
WCF, Army	37.5	26.2	27.5
WCF, DW - Defense Commissary Agency	20.2	20.4	19.0
WCF, DW - Defense Logistics Agency	6.9	6.2	7.3

**Fiscal Year (FY) 2009 - 2010 Budget Estimates**  
**Sources of Revenue**  
**Defense Finance and Accounting Service**  
**February 2008**  
**(Dollars in Millions)**

WCF, DW - Defense Security Service	0.0	0.0	0.0
WCF, DW - DFAS Financial Operations	6.6	19.1	1.1
WCF, DW - DLA Defense Distribution Center	4.4	5.1	5.1
	<b><u>FY2007</u></b>	<b><u>FY2008</u></b>	<b><u>FY2009</u></b>
WCF, DW - DLA Defense National Stockpile Center	1.5	0.0	1.9
WCF, DW - DLA Reutilization and Marketing Service	2.6	3.3	2.7
WCF, DW - DLA Supply Management	48.1	50.6	50.7
WCF, DW - Document Automation and Production Service	4.4	5.3	5.5
WCF, DW - Military Housing Privatization Initiative	0.4	0.4	0.4
WCF, DW - United States Soldier's and Airmen's Home	0.0	4.2	0.0
WCF, DW - USTRANSCOM	9.7	6.4	6.1
WCF, DW - WHS, Building Maintenance Fund	0.1	0.1	0.1
WCF, DW - WHS, Pentagon Reservation Maintenance Revolving Fund	0.3	0.2	0.2
WCF, Navy - Air Warfare Center	4.3	3.4	3.1
WCF, Navy - Base Support	8.1	10.9	11.3
WCF, Navy - Naval Aviation Depots	7.1	6.5	7.1
WCF, Navy - Navy Research Laboratory	0.7	0.8	0.7
WCF, Navy - Shipyards	1.6	0.0	0.0
WCF, Navy - Space and Naval Warfare Systems Command	4.8	5.2	8.4
WCF, Navy - Supply Management	6.4	6.6	6.2
WCF, Navy - Surface Warfare Center	14.0	12.2	13.7
WCF, Navy - Undersea Warfare Center	2.4	3.4	2.2
<b>c. Total DoD:</b>	<b>1430.9</b>	<b>1439.2</b>	<b>1376.5</b>
<b>d. Other Orders</b>			
Other - Foreign Military Sales - Defense Security Cooperation Agency	25.1	26.6	29.4
Other - Non-DoD Agencies	57.0	47.8	40.4
<b>Total New Orders</b>	<b>1512.9</b>	<b>1513.5</b>	<b>1446.3</b>

\*Annual revenue of \$30,000 is not shown due to rounding

Note: FY07 represents actual revenue

FY08 reflects PB08 position

**Fiscal Year (FY) 2009 - 2010 Budget Estimates  
Revenue and Expenses  
Defense Finance and Accounting Service  
Financial Operations  
February 2008  
(Dollars in Millions)**

	FY2007	FY2008	FY2009
<b>Revenue</b>			
Gross Sales			
*Operations	1,385.1	1,428.2	1,387.5
Capital Surcharge			
Depreciation except Major Construction	103.1	85.3	58.8
Major Construction Depreciation			
Other Income			
Refunds/Discounts (-)			
<b>Total Income:</b>	<b>1,488.2</b>	<b>1,513.5</b>	<b>1,446.3</b>
<b>Expenses</b>			
Cost of Material Sold from Inventory			
<b>Salaries and Wages:</b>			
Military Personnel Compensation & Benefits	10.1	2.6	1.6
Civilian Personnel Compensation & Benefits	907.9	851.0	816.6
Travel & Transportation of Personnel	15.8	18.3	19.4
Materials & Supplies (Internal Operations)	5.1	11.3	9.3
Equipment	1.7	1.1	1.2
Other Purchases from Revolving Funds	136.3	156.8	140.1
Transportation of Things	1.0	0.8	1.1
Depreciation - Capital	103.1	85.3	58.8
Printing and Reproduction	5.9	7.7	7.3
Advisory and Assistance Services	3.0	4.5	4.1
Rent, Communications, Utilities, & Misc. Charges	64.8	62.5	68.1
Other Purchased Services	269.5	309.9	289.7
FY 2006 Writeoffs and Losses			
<b>Total Expenses</b>	<b>1,524.1</b>	<b>1,511.9</b>	<b>1,417.2</b>
<b>Operating Result</b>	<b>-35.9</b>	<b>1.6</b>	<b>29.1</b>
Less Capital Surcharge Reservation			
Plus Appropriations Affecting NOR/AOR			
**Other Changes Affecting NOR/AOR	21.0	29.4	0.0
<b>Net Operating Result</b>	<b>-14.9</b>	<b>31.0</b>	<b>29.1</b>
PY AOR	78.1	56.1	0.9
Disposal of Equipment/Capital Asset	-7.1	0.0	0.0
***Accumulated Operating Results (Non Recoverable)	0.0	-86.3	-30.0
<b>Accumulated Operating Results</b>	<b>56.1</b>	<b>0.9</b>	<b>-0.0</b>

\* Includes cash surcharge of \$30M in FY09

\*\* Non-recoverable NOR of \$21.0M for depreciation and asset purchases made with non-DWCF funds are not recoverable from customers in FY07

Business Area Information Services merge to Financial Operations is complete. Remaining NOR is transferred for Total Agency consideration in FY08

\*\*\* D-Systems transfer to the BTA will not be recoverable in FY08  
\$30M cash surcharge is non recoverable in FY09

**Fiscal Year (FY) 2009 - 2010 Budget Estimates  
Revenue and Expenses  
Defense Finance and Accounting Service  
Information Services  
February 2008  
(Dollars in Millions)**

	FY2007	FY2008	FY2009
<b>Revenue</b>			
Gross Sales			
Operations	24.7	0.0	0.0
Capital Surcharge			
Depreciation except Major Construction	-0.1	0.0	0.0
Major Construction Depreciation			
Other Income			
Refunds/Discounts (-)			
<b>Total Income:</b>	<b>24.7</b>	<b>0.0</b>	<b>0.0</b>
<b>Expenses</b>			
Cost of Material Sold from Inventory			
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.0	0.0	0.0
Civilian Personnel Compensation & Benefits	-3.3	0.0	0.0
Travel & Transportation of Personnel	0.0	0.0	0.0
Materials & Supplies (Internal Operations)	-0.1	0.0	0.0
Equipment	0.2	0.0	0.0
Other Purchases from Revolving Funds	0.1	0.0	0.0
Transportation of Things	0.0	0.0	0.0
Depreciation - Capital	-0.1	0.0	0.0
Printing and Reproduction	0.0	0.0	0.0
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communications, Utilities, & Misc. Charges	0.0	0.0	0.0
Other Purchased Services	17.2	0.0	0.0
FY 2006 Writeoffs and Losses			
<b>Total Expenses</b>	<b>14.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Operating Result</b>	<b>10.6</b>	<b>0.0</b>	<b>0.0</b>
Less Capital Surcharge Reservation			
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR/AOR *		-29.4	
<b>Net Operating Result</b>	<b>10.6</b>	<b>0.0</b>	<b>0.0</b>
PY AOR	18.8	29.4	-0.0
Accumulated Operating Results (Non Recoverable)	0.0	0.0	0.0
<b>Accumulated Operating Results</b>	<b>29.4</b>	<b>-0.0</b>	<b>-0.0</b>

\*AOR transfers to Financial Operations, Information Services closes in FY 2007



**DEFENSE-WIDE WORKING CAPITAL FUND  
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES  
FEBRUARY 2008  
OVERVIEW**

**DEFENSE INFORMATION SYSTEMS AGENCY**

The Defense Information Systems Agency (DISA) is a combat support agency responsible for planning, engineering, acquiring, fielding, and supporting global net-centric solutions to serve the needs of the President, Vice President, the Secretary of Defense, and other Department of Defense (DoD) Components, under all conditions of peace and war. Its information systems support the nation's warfighters and those who support them in the defense of the nation.

The DISA operates two activity groups within the Defense Working Capital Fund (DWCF):

**Computing Services** provides mainframe and server processing, data storage, production and technical support for command and control, combat support, and eBusiness across the Department of Defense. The DISA's computing operations are integral components of the Department's Global Information Grid.

**Computing Services Activity Group Profile**

(\$ in millions)	FY 2007	FY 2008	FY 2009
Revenue	\$581.4	\$655.5	\$699.2
Costs	606.8	671.6	694.1
Net Operating Result	(25.4)	(16.1)	5.1
Accumulated Operating Results	\$11.0	(\$5.1)	\$0.0
Civilian Workyears	1,524	1,572	1,533
Military End Strength	4	4	4
Capital Budget	\$39.3	\$33.6	\$49.0

**Telecommunications Service/Enterprise Acquisition Services (TS/EAS)** consists of two main services. Long haul telecommunications services are provided by the Defense Information Systems Network (DISN), the critical communications component of the Global Information Grid. It provides dynamic routing of voice, data, imagery, and bandwidth services to DoD Components and to authorized non-DoD organizations. It provides to the warfighters and to those who support them timely access to valid, secure, and operationally relevant information necessary to military operations. The second service offered within this activity group is ready access to contract vehicles for information technology and telecommunications. The DISA operates the Defense Information Technology Contracting Organization (DITCO) within this activity group on a fee-for-service basis. Consistent with the approved FY 2008 budget, the DITCO operations within the national capital region have been transferred into the DWCF and are now included in budget estimates for FY 2008 and beyond.

## Telecommunications Services/Enterprise Acquisition Services Activity Group Profile

(\$ in millions)	FY 2007	FY 2008	FY 2009
Revenue	\$3,573.7	\$4,674.0	\$4,804.4
Costs	3,536.5	4,758.1	4,950.4
Net Operating Result	37.2	(84.1)	(146.0)
Accumulated Operating Results	\$262.9	\$178.8	\$32.8
Civilian Workyears	868	1,015	1,038
Military End Strength	103	103	103
Capital Budget	\$25.5	\$12.4	\$3.5

Highlights of DISA's FY 2009 Budget Estimate for its two DWCF activity groups include:

- DISN subscription rate reduced from FY 2008 to FY 2009, (5.1%)
- DITCO fee-for-service maintained at 1.25 percent through FY 2009
- Composite rate change from FY 2008 to FY 2009 for Computing Services below inflation, 0.7%
- Beneficial effects of financial improvement and audit remediation returned to customers via rates/pricing
- Reduction of the DISA DWCF cash balance to minimum requirement for sustained operations
- Full range of performance metrics established for both activity groups and tied to DoD strategic goals

The DISA goals of speed, power to the edge, operational excellence, sharing/defending information, and providing customers best value for their money form the backbone of the FY 2009 DISA Defense Working Capital Fund Budget Estimate.

Additional justification and data are provided in the following activity group specific overviews and schedules.

# **DEPARTMENT OF DEFENSE DEFENSE INFORMATION SYSTEMS AGENCY**

## **Defense Working Capital Fund (DWCF) Defense Computing Services**

### **FISCAL YEAR (FY) 2009 BUDGET ESTIMATES**

The Defense Information Systems Agency (DISA) Defense Working Capital Fund (DWCF) Computing Services (CS) business area and the operations of the Defense Enterprise Computing Centers (DECCs) provide mainframe and server processing operations, web hosting, production support, technical services, and end-user assistance for command and control, combat support, and eBusiness applications across the Department of Defense (DoD).

The DECCs are located within the continental United States, Europe and the Pacific. These computing centers are configured as Systems Management Centers, Infrastructure Services Centers, and Processing Elements. The Systems Management Centers at Mechanicsburg, PA, Montgomery, AL, Oklahoma City, OK, Ogden, UT as well as Europe and Hawaii provide the full complement of data processing management services for both mainframe and server applications. The Infrastructure Services Centers at Columbus, OH, San Antonio, TX, and St. Louis, MO host Net-Centric Enterprise Services and other new “services-oriented” applications. There are also several small remotely-managed Processing Elements that are “lights dim” operations providing primarily processing services. The DECCs rely on highly skilled and experienced teams of government and contractor personnel to manage hardware and software applications encompassing a broad spectrum of computing, storage, and communications technologies. The facilities have been designed and are managed to provide a secure, available, disciplined, and interoperable environment for both classified and unclassified processing under military control. The DECCs provide global reachback, end-to-end control, defensive information operations, and operational sensitivity. Further, the Global Combat Support System provides commanders with web-based access to selected Service and Agency authoritative/preferred logistics and transportation databases, which avoids the need to lift and support a considerable IT infrastructure to the theater of operations.

DISA’s computing operations are integral components of the Global Information Grid, which is the foundation for net-centric operations. DISA’s DECCs provide information processing for the entire gamut of combat support functions, to include transportation, logistics, maintenance, munitions, engineering, acquisition, finance, medical, and military personnel readiness. The applications hosted on the mainframes and servers enable the armed forces and agencies to:

- Provide command and control of warfighting forces;
- Ensure weapon systems availability through management and control of maintenance and supply;
- Ensure mobility of the warfighter through management and maintenance of the airlifter and tanker fleets;
- Provide warfighter sustainment through resupply and reorder;
- Provide the warfighter with information on the location, movement, status, and identity of units, personnel, equipment, and supplies;

- Manage the medical environment and patient care; and
- Support DoD business, contracting, financial, pay and eBusiness applications.

While applications are developed by the respective Services' and Agencies' Central Design Activities, Computing Services provides the common computing platforms, networks, and enterprise systems management tools that standardize the underlying infrastructure and integrate the combat support business processes it supports. Using the global reachback provided by the Defense Information Systems Network (DISN), a joint task force can plug into this common computing infrastructure and be assured of receiving full interoperable support. Through Global Command and Control System, Global Combat Support System, and a common communications and computing infrastructure, Computing Services provides the joint warfighter with a single end-to-end capability to manage and monitor units, personnel, and equipment from mobilization through deployment, employment, sustainment, redeployment, and demobilization.

Computing Services' computing facilities continue to be highly accessible and secure data processing centers with dual high-capacity DISN connectivity and organic defense in depth, resulting in a more secure and robust computing infrastructure upon which to build. They feature automated systems management to control computing resources and to gain economies of scale. Additionally, Computing Services has aggressively pursued an "assured computing" capability, designed to ensure that information and mission-critical data is continuously available for customers.

Computing Services currently manages its Defense-Wide Working Capital Fund business area through four lines of business: IBM mainframe, Unisys mainframe, Server, and Storage. The Storage line of business was introduced in FY 2007 for management of business, technical and engineering functions. A stabilized rate structure to govern cost recovery for Storage was approved for introduction in FY 2008.

The following table depicts the unit cost for the major outputs for each Computing Services' line of business which is the basis for stabilized rates charged to its customers:

#### Unit Cost

(Amount in Dollars)	Unit of Measure	FY 2008	FY 2009
IBM	CPU Hours	\$16.49	\$16.62
Unisys	SUP	13.10	12.84
Windows Server Mini	Basic	2,522	1,784
Windows Server Small	Basic	2,493	1,796
Windows Server Large	Basic	2,641	1,983
Windows Server Enterprise	Basic	3,409	2,104
Windows Server 24x7	System Administration	-	495
Unix Server Small	Basic	3,657	2,558
Unix Server Medium	Basic	4,233	3,143
Unix Server Large	Basic	5,337	4,044
Unix Server Enterprise	Basic	12,218	7,847
Unix Server 24x7	System Administration	-	235
Storage	DASD	.0017	.0014
Storage	Server Basic Local	3.57	3.71
Other	ATAAPS	-	22.94
Other	URL	\$3,084	\$3,081

\*Note: Unit costs and stabilized rates differ only when returning prior year profits or recovering prior year losses.

**Stabilized Rates.** Stabilized billing rates for server operations were established and implemented in FY 2007 in order to tie costs to workload, increase cost transparency and improve customer resource management capabilities. The FY 2008 Budget approved the continuation of expanding the stabilized rates by introducing a price structure for information storage customers. Storage systems are where DoD's data repositories are held and protected. Both mission and regulatory requirements are accelerating the demand for storage capacity and capability. In recognition of the increasing importance that storage and its supporting infrastructure provide in developing and implementing information technology solutions, a dedicated line of business and accompanying rate were established and approved in the FY 2008 Budget. The fixed rates recover both direct and overhead costs.

Beginning in FY 2009, Computing Services proposes to implement a new stabilized rate, Automated Time and Attendance and Production System (ATAAPS), specifically for the U.S. Army, Department of Defense, Defense Logistics Agency, Business Transformation Agency, and Defense Information Systems Agency. ATAAPS is used to report employees' time and attendance bi-weekly payroll hours to the Defense Civilian Payroll System. The rate will consist of Server processing, customer-unique application support labor, and Storage processing.

**Capacity Services on Demand.** This budget submission reflects a continued effort to use capacity services on demand contracts to fulfill most technical refresh and new or enhanced program requirements. Under this concept, Computing Services establishes partnerships with private industry to expeditiously provide the hardware and software capacity required to meet the customer's needs. Once delivered and installed, Computing Services manages, operates, and controls these sensitive data environments as required to support the customer within a military controlled environment. This approach enables Computing Services to take advantage of market efficiencies and flexibility, and to minimize costly investment in fixed capital assets. Computing Services' dynamic workload requires the flexibility to leverage available technologies, especially for new customer workload that emerges during the execution year. Efficiencies derived from this acquisition process during FY 2008 and FY 2009 may yield potential cost savings which could be incorporated into future stabilized rates. Computing Services currently has five contracts awarded to four vendors supporting the server and mainframe platforms. The total operating costs budgeted for capacity services on demand contracts is \$100.6 million in FY 2008 and \$136.7 million in FY 2009.

## FISCAL YEAR 2009 OPERATING BUDGET

### Proposed Operating Budget

(\$ in millions)	FY 2007	FY 2008	FY 2009
Revenue	\$581.4	\$655.5	\$699.2
Cost	606.8	671.6	694.1
Net Operating Results	(25.4)	(16.1)	5.1
Other Adjustments	0.0	0.0	0.0
Prior Year Accumulated Operating Results	36.4	11.0	(5.1)
Ending Accumulated Operating Results	\$11.0	(\$5.1)	\$0.0

Since its establishment in 1992, DISA's Computing Services operations has achieved success in continuously reducing the costs of data processing through a series of workload consolidations, technology insertions, and management restructuring efforts. Computing Services is dedicated to matching and exceeding commercial best practice standards for operational support to its customers. The business area has dedicated customer operational support teams, application teams, and database support personnel within each Systems Management Center to meet the customer's changing needs. Computing Services ensures the correct skill set is available, utilizing a combination of civilians and contractors, to meet emerging requirements from its customers.

Computing Services has continued to support aggressive systems auditing for the Department of Defense. These audits ensure DoD-wide application software works correctly in the computing environment. This budget includes anticipated costs of about \$3.3 million per year in direct contract support to facilitate the extensive data collection associated with these audits. It should also be noted that these audits require significant in-house labor support.

## **MAJOR CHANGES BETWEEN FISCAL YEAR ESTIMATES**

### **Cost of Operations**

<b>(\$ in millions)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
FY 2008 Approved Budget	\$672.1	\$693.3	\$713.1
FY 2009 Budget Estimate	606.8	671.6	694.1
Change	(\$65.3)	(\$21.7)	(\$19.0)

#### **FY 2008 Budget Estimate to FY 2008 Current Estimate**

Cost of operations decreased by \$21.7 million from \$693.3 million approved in the FY 2008 Budget to a new total of \$671.6 million in the current estimate. There are several reasons for this decrease. Computing Services has significantly reduced its contractor support which resulted in a cost reduction of \$13.7 million. Also, depreciation expense decreased by \$4.6 million based on the slower execution rate of the FY 2007 capital budget. Other reductions include a decrease of \$1.3 million in the Defense Finance and Accounting Service processing requirements due to the implementation of the Defense Travel System, and a \$2.2 million decrease attributed to the planned termination of the workload for the United States Transportation Command in FY 2008. These decreases are offset by a \$3.3 million increase for the DoD Inspector General Statement on Auditing Standards No. 70 audit at the DECCs.

#### **FY 2008 Current Estimate to FY 2009 Current Estimate**

The costs of operations are projected to increase from FY 2008 (\$671.6 million) to FY 2009 (\$694.1 million) by \$22.5 million or 3.4 percent. Approximately \$13.5 million of this growth is due to inflation, while the remaining \$9.0 million is attributable to growth in various programs. Cost increases are due in part to increased requirements for Net-Centric Enterprise Services content delivery for \$6.7 million, as well as additional fees for software renewals of \$2.1 million. Computing Services' capacity services on demand contract for technical refreshment of processing platforms also increases by \$23.2 million. This increase is partially offset by reduced

depreciation costs. Computing Services will also reduce civilian personnel by 39 workyears, resulting in a cost reduction of \$8.3 million. An additional \$8.1 million in cost reductions are for reduced contractor support. This submission includes functional transfers for reduced headquarters cost allocation in the amount of \$5.1 million and for the need to support DISN at former processing sites for \$1.3 million, both of which are reflected as cost reductions in the Computing Services' budget estimate.

### **FY 2009 Budget Estimate to FY 2009 Current Estimate**

Cost of operations decreased by \$19.0 million, from the \$713.1 million programmed in the FY 2008 Budget to a revised total of \$694.1 million in the current estimate. Cost has a net decrease for several reasons. Computing Services has worked very hard to become more efficient, reducing contractor support by \$17.6 million, as well as reducing civilian personnel costs by \$6.9 million due to a reduction in average salary beginning in FY 2008 and longtime retirees being replaced by junior-level staff. There is also a decrease for reduced headquarters cost allocation and the need to support Defense Information Systems Network at former processing sites. These decreases are partially offset by several large workload adjustments.

## **CAPITAL INVESTMENT PROGRAM**

### **Capital Budget Summary**

<b>(\$ in millions)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Equipment	\$10.6	\$14.8	\$30.6
ADPE & Telecom	24.2	18.3	17.9
Software	3.5	0.0	0.0
Minor Construction	1.0	0.5	0.5
<b>Total Program Authority</b>	<b>\$39.3</b>	<b>\$33.6</b>	<b>\$49.0</b>
<b>FY 2008 Budget Estimate</b>	<b>39.3</b>	<b>33.6</b>	<b>32.3</b>
<b>Net Change</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$16.7</b>

### **Capital Budget Estimated Annual Capital Cash**

<b>(\$ in millions)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Capital Collections	\$62.4	\$55.0	\$42.0
Capital Disbursements	24.5	53.8	42.0
Capital Net Outlays	(\$37.9)	(\$1.2)	0.0

The DISA Computing Services' capital program includes estimates to support the purchase of Automated Data Processing (ADP), Telecommunications and other equipment supporting the Computing Centers' infrastructure. The capital program in FY 2008 and FY 2009 is targeted primarily to support the centers' infrastructure equipment replacement projects and facilities improvements.

### **FY 2008 Budget Estimate to FY 2008 Current Estimate**

The FY 2008 Budget Estimate included capital requirements of \$33.6 million, and there is no change in the current estimate. The facilities equipment budget is reduced by \$2.1 million, primarily due to the change in the capital investment threshold from \$100 thousand to \$250 thousand, so that some equipment will now be purchased with operating authority vice capital. There are offsetting increases to IT and telecommunications-type equipment in communications, resulting in no change to the total capital budget.

### **FY 2008 Current Estimate to FY 2009 Current Estimate**

There is a \$15.4 million increase from FY 2008 to FY 2009, principally due to the nature of the projects planned for FY 2009. The design and upgrades of raised floors, fire suppression equipment and uninterrupted power supplies is a more costly mix of projects than the FY 2008 program.

### **FY 2009 Budget Estimate to FY 2009 Current Estimate**

The FY 2009 current estimate is \$49.0 million, a \$16.7 million increase over the FY 2009 column of the FY 2008 Budget Estimate. This increase is attributed to the need to replace and upgrade non-ADP equipment. If approved, it will provide the funding to design and upgrade raised floors, upgrade fire suppression systems, and replace the uninterrupted power supplies at the computing centers located at Chambersburg, Columbus, Ogden, St. Louis, San Antonio, and Warner Robins in support of the technical refresh of the IT and non-IT infrastructure.

## **DISA DWCF CASH**

### **Estimated Net Outlays and Cash Balance (\$ in millions)**

<b>FISCAL YEAR</b>	<b>Computing Services</b>	<b>Telecommunications Services/Enterprise Acquisition Services</b>	<b>DISA DWCF TOTAL</b>
<b>FY 2007 Cash Balance</b>	\$228.7	\$295.0	\$523.7
FY 2008 Net Outlays	\$115.2	\$89.0	\$204.2
<b>FY 2008 Cash Balance</b>	\$113.5	\$206.0	\$319.5
FY 2009 Net Outlays	\$8.0	\$68.1	\$76.1
<b>FY 2009 Cash Balance</b>	\$105.5	\$137.9	\$243.4

The consolidated DISA DWCF cash balance at the end of FY 2007 was \$523.7 million, which includes \$32.1 million of unearned prior year advance billings. Revenues will be earned during FY 2008 with no additional billings, so this contributes \$32.1 million to the anticipated FY 2008 net outlays of \$319.5 million. FY 2009 net outlays are projected at \$76.1 million, bringing the projected FY 2009 cash balance down to \$243.4 million, enough for 10 days of operations plus six months of capital outlays. To balance cash between the two activity groups, a total of \$96.9 million will be moved from Computing Services to Telecommunications Services/Enterprise Acquisition Services during FY 2008.



The main reason for the cash decline over this budget period is the return of accumulated profits to the customers in rates and prices, which have been set below costs by \$241.1 million over the two-year period. Another factor in the decline is the net outlays for capital investments: disbursements will exceed collections (depreciation included in rates) by \$31.4 million over this two-year period, mostly during FY 2008.

## PERFORMANCE MEASURES

The Computing Service business area tracks its performance and results through Corporate Board Reviews, Agency Director’s Internal Performance Reviews, Balanced Scorecard results, annual customer surveys, and the DISA Comptroller’s Status of Funds briefings. The Balanced Scorecard for Computing Services specifically reviews performance metrics, financial stability, and significant event milestones. The Status of Funds briefings center on key performance measures such as revenue, cost, operating results, cash, staffing levels, and capital program execution. The Computing Services budget includes performance measures that focus on system availability and responsiveness.

**Balanced Scorecard Metrics.** There are two key operational metrics within Computing Services’ Balanced Scorecard which are presented to the DISA Director on a monthly basis. These two metrics, which are depicted in the table below, reflect the availability of applications in the DECCs. The first metric, “Availability of Service,” expressed as a percentage of uptime, represents application availability from the end user’s perspective and includes all outages or downtime regardless of root cause or problem ownership. The second metric, “Quality of Service” represents DISA’s performance, i.e., how well DISA is doing its job exclusive of factors outside the agency's control such as last mile communications, base power outages, etc. The goals listed in the table below represent averages across the entire enterprise. Higher or lower service objectives may be established with individual customers (based upon mission assurance, cost and risk) as codified in respective service level agreements.

SERVICE OBJECTIVE	FY 2007 ACTUALS	FY 2009 OPERATIONAL GOAL	SERVICE DESCRIPTION
Availability of Service	99.9%	96.0%	Percentage of application availability, including all downtime associated with unscheduled outages within the operational environment that impacts the end user.
Quality of Service	99.9%	99.5%	Percentage of application availability including all downtime associated with any unscheduled outage within DISA’s span of control.

**Status of Funds Briefings.** The Status of Funds briefing is presented monthly to the Computing Service Director and the DISA Chief Financial Executive/Comptroller. The briefing is a compilation of performance measures from each Division within Computing Services. It tracks signed service level agreements and planning estimates, financial execution versus budget, staffing levels, lines of business issues and accomplishments, and all major financial indicators as cited above.

## RATES

DISA Computing Services' budget has two basic methods of cost recovery: stabilized fixed rate and direct reimbursement. Rates are formulated to recover the total cost of operations, including direct and overhead costs. As depicted in the chart below, Storage rates are increasing from FY 2008 to FY 2009 as Mainframe, Server, and Other rates decrease. Overall, the summary composite rate change from FY 2008 to FY 2009 only slightly increases by 0.7 percent.

FY 2008 - FY 2009 Rate Change	
IBM Mainframe	1.00%
Unisys Mainframe	-1.40%
<b>Total Mainframe</b>	<b>-0.40%</b>
Server Windows	0.03%
Server Unix	-2.19%
<b>Total Server</b>	<b>-2.16%</b>
<b>Storage</b>	<b>4.18%</b>
<b>Other</b>	<b>-0.92%</b>
<b>Composite Rate Change</b>	<b>0.70%</b>

**Mainframe Rates.** The weighted average of all mainframe work is decreasing by 0.4%. However, IBM mainframe work increases by 1.0% primarily due to the removal of \$8.3 million of Accumulated Operating Result giveback included in the FY 2008 rates. Workload is reduced based on anticipated customer requirements.

Computing Services' Unisys mainframe rate for FY 2009 shows a decrease of 1.4%. FY 2008 has a one time increase to offset prior year losses; however, starting with FY 2009, the Unisys rate is projected at \$12.88 per standard unit of processing (SUP) hour.

**Storage Rates.** As discussed above, a major objective of Computing Services has been to establish a new and separate business line for storage. This business line features a menu of storage services and an associated rate structure for those services. Storage services over the past several years have emerged as a growing and significant component of any solution Computing Services proposes to a customer. Data protection technologies, replication of data between sites, long term online retention of content static data, encrypted storage of data, instant copying of data objects, advanced backup/recovery solutions and data vaulting are among a number of new and emerging advanced capabilities that are being required to meet customer data storage requirements. Computing Services has also been receiving an increasing number of requests from customers for solutions in which storage or storage services is the only component of the solution. It is these changing requirements that have transformed storage services into a separate information technology architecture level on par with communication and processing services. The Storage rates will be in affect beginning in FY 2008, as approved in the FY 2008 Budget.

A rate structure for the server environment is established based on disk capacity measured in gigabytes per month of raw disk capacity provided to a server and the level of service associated with this capacity. The level of service is designed to reflect the Mission Assurance Category

designation provided by the customer. The service levels cover data protection for both localized data center problems and problems requiring the data and processing to be moved to a remote site. The service levels use recovery time objective (RTO) and recovery point objective (RPO) as the measurement criteria. The RTO is the allowable amount of time the data can be out of service in the event of a disruption. The RPO is the allowable amount of data that can be lost in the event of a disruption. As a customer's application requires more demanding RPO and RTO service levels, the associated rate increases.

**Server Rates.** In FY 2007, Computing Services began billing server customers utilizing an approved stabilized rate structure based on an instance of an operating environment (OE) for both Unix and Windows environments.

Beginning in FY 2008, the business area offers three levels of Continuity of Operations: 1) local dedicated clustered server, 2) remote dedicated (non-clustered) server, and 3) remote shared server. For local dedicated clustered server, customers will be charged 50 percent of their basic OE(s) and 125 percent of their hardware services OE(s). For remote dedicated server, customers will be charged 50 percent of their basic OE(s) and 100 percent of their hardware services. For remote shared server, customers will be charged 25 percent of their hardware services.

Also in FY 2008, Computing Services is offering options for additional on-site 24x7 system administration, database administration, and application support personnel beyond the operations support that is already inherent in the basic rate. In the event that mission-critical, 24x7 applications require additional round-the-clock, on-site expertise from our staff, we have developed new marketing rates to accommodate them. These rates are additive to the 8x5 rates for database administration and application support and are additive to the system administration support that is contained within the basic services rate. The 24x7 support equates to 21 shifts per week versus the five shifts per week for 8x5 support. Essentially these rates account for the 16 non-prime shifts each week.

In FY 2009, Computing Services will continue transitioning all operating systems and hardware services requiring technical refresh in order to optimize standardization. Since the manufacturer can no longer provide the necessary support, customers choosing not to comply with Standard Operating Environments (SOE) will be subject to one or both of the following new rates: Non-SOE Basic Services and Non-Standard Operating Environment Hardware Services.

**Other Rates.** The Universal Resource Locator (URL) rate for FY 2009 shows a decrease of 6 percent over FY 2008 as a result of continued cost saving measures. The URL rate is a connection fee for external users accessing Service/Agency applications or platforms within DISA.

This business area continues to stabilize rates to provide a predictable environment allowing for customers to plan for charges in advance. The Automated Time and Attendance and Production System (ATAAPS) is a service area previously charged on a reimbursable basis. ATAAPS is used to report employees' time and attendance bi-weekly payroll hours to the Defense Finance and Accounting Service, Defense Civilian Payroll System. Beginning in FY 2009, Computing Services will provide ATAAPS to the U.S. Army, DoD, Defense Logistics Agency, Business Transformation Agency, and Defense Information Systems Agency on a stabilized rate vice cost reimbursable basis. The rate will consist of server processing, customer-unique application support labor, and storage processing.

## FY 2008 - FY 2009 Mainframe, Storage, and Other Services Rates

<b>IBM Mainframe Rates</b>	<b>FY 2008</b>	<b>FY 2009</b>
CPU Hours (per hour)	\$15.6343	\$16.6705
I/O EXCPS (transfers per one thousands)	\$0.0247	\$0.0232

<b>UNISYS Mainframe Rates</b>	<b>FY 2008</b>	<b>FY 2009</b>
SUPS UNISYS (per hour)	\$14.2317	\$12.8797
DASD UNISYS (MB/Day)	\$0.0311	\$0.0232
TAPE STORAGE (MB/Day)	\$0.0030	\$0.0030

<b>STORAGE</b>	<b>FY 2008</b>	<b>FY 2009</b>
IBM DASD (MB/Day)	\$0.0013	\$0.0014
IBM TAPE MB DAYS (MB/Day)	\$0.0004	\$0.0004
SERVER BASIC LOCAL (GB/Month)	\$3.3617	\$3.7248
SERVER BASIC REMOTE (GB/Month)	\$0.3122	\$0.9890
SERVER OPERATIONAL LOCAL (GB/Month)	\$0.8404	\$1.0067
SERVER OPERATIONAL REMOTE (GB/Month)	\$2.5212	\$2.7936
SERVER HIGH AVAILABILITY LOCAL (GB/Month)	\$1.5127	\$1.8960
SERVER HIGH AVAILABILITY REMOTE (GB/Month)	\$3.0255	\$3.3523
SERVER NON-DISRUPTIVE LOCAL (GB/Month)	\$2.3532	\$2.6684
SERVER NON-DISRUPTIVE REMOTE (GB/Month)	\$4.0340	\$4.2205

<b>OTHER SERVICES</b>	<b>FY 2008</b>	<b>FY 2009</b>
UNIVERSAL RESOURCE LOCATOR (per year)	\$3,295.72	\$3,090.42
HOSTING APPLICATION DESIGN SERVICES (per hour)	\$207.76	\$211.92
ATAAPS (per account per year)	-	\$22.95

### FY 2008 SERVER RATES (Month)

	<b>Mini OE</b>	<b>Small OE</b>	<b>Large OE</b>	<b>Enterprise OE</b>
<b>Windows Basic Rates (per month)</b>	\$1,867	\$1,867	\$2,066	\$2,181
<b>Additional Services</b>				
Hardware Services	\$285	\$720	\$3,973	\$6,573
Application Support	\$1,267	\$1,267	\$1,267	\$1,267
Database Administration	\$1,359	\$1,359	\$1,359	\$1,359
Database Software	\$443	\$885	\$2,065	\$3,835
24X7 System Administrator	\$3,913	\$3,913	\$3,913	\$3,913
24X7 Application Support	\$5,549	\$5,549	\$5,549	\$5,549
24X7 Database Administration	\$1,370	\$1,370	\$1,370	\$1,370

	<b>Mini OE</b>	<b>Small OE</b>	<b>Large OE</b>	<b>Enterprise OE</b>
<b>Unix Basic Rates (per month)</b>	\$2,626	\$3,226	\$4,148	\$8,054
<b>Additional Services</b>				
Hardware Services	\$4,936	\$7,695	\$10,116	\$16,337
Application Support	\$2,865	\$2,865	\$2,865	\$2,865
Database Administration	\$7,161	\$7,161	\$7,161	\$7,161
Database Software	\$2,588	\$6,752	\$10,637	\$12,891
24X7 System Administrator	\$5,365	\$5,365	\$5,365	\$5,365
24X7 Application Support	\$7,607	\$7,607	\$7,607	\$7,607
24X7 Database Administration	\$1,878	\$1,878	\$1,878	\$1,878

### FY 2009 SERVER RATES (Month)

	Mini OE	Small OE	Large OE	Enterprise OE
<b>Windows Basic Rates (per month)</b>	\$1,808	\$1,808	\$1,997	\$2,119
<b>Additional Services</b>				
Hardware Services	\$284	\$717	\$3,966	\$6,562
Application Support	\$3,046	\$3,046	\$3,046	\$3,046
Database Administration	\$1,400	\$1,400	\$1,400	\$1,400
Database Software	\$443	\$885	\$2,065	\$3,835
24X7 System Administrator	\$791	\$791	\$791	\$791
24X7 Application Support	\$499	\$499	\$499	\$499
24X7 Database Administration	\$869	\$869	\$869	\$869

	Small OE	Medium OE	Large OE	Enterprise OE
<b>Unix Basic Rates (per month)</b>	\$2,576	\$3,166	\$4,074	\$7,904
<b>Additional Services</b>				
Hardware Services	\$4,907	\$7,596	\$10,033	\$16,144
Application Support	\$3,014	\$3,014	\$3,014	\$3,014
Database Administration	\$7,420	\$7,420	\$7,420	\$7,420
Database Software	\$2,669	\$6,973	\$10,802	\$13,177
24X7 System Administrator	\$810	\$810	\$810	\$810
24X7 Application Support	\$236	\$236	\$236	\$236
24X7 Database Administration	\$899	\$899	\$899	\$899

### CIVILIAN PERSONNEL

(\$ in millions)	FY 2007	FY 2008	FY 2009
<b>Civilian End Strength</b>	<b>1,551</b>	<b>1,604</b>	<b>1,590</b>
<b>Civilian Workyears</b>	<b>1,524</b>	<b>1,572</b>	<b>1,533</b>
<b>Civilian Labor Cost</b>	<b>\$151.4</b>	<b>\$162.5</b>	<b>\$158.9</b>

DISA Computing Services will continue to manage personnel reductions through various management initiatives such as organizational rightsizing and effective leveraging of technology which have proven to be effective. Beginning in FY 2008, 52 percent of government employees within this business area will be eligible to retire making it a challenge to maintain the corporate knowledge of mainframes, which is a large part of this business area. Computing Services has made a concerted effort to bring in developmental employees in order to ensure continuity by helping to train and retain these employees to preclude the erosion of corporate knowledge. As a result, there is a deliberate overlap of current employees ready to retire with the developmental personnel reflected in this FY 2009 Budget Estimate.

Additionally, in the approved FY 2008 Budget, planned reductions of contractors were expected to be implemented at various sites in order to achieve a 60:40 balance between government and contractor employees. These reductions did not materialize due to the inability of some of the sites to make the conversion, pushing organizational rightsizing efforts into FY 2008 and FY 2009.

The FY 2008 and FY 2009 projected increase in end strength and workyears over the FY 2008 Budget Estimate is due to the net effect of the decreased customer workload associated with the United States Transportation Command coupled with Computing Services' plan to hire students to replace the large contingent of retiring employees.

### **MILITARY PERSONNEL**

<b>(\$ in millions)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Military End Strength</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Military Workyears</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Military Labor Cost</b>	<b>\$0.5</b>	<b>\$0.6</b>	<b>\$0.6</b>

There is no change from the FY 2008 Budget Estimate for military personnel end strength or workyears. The FY 2009 military labor costs increase from the FY 2008 Budget Estimate in accordance with the new FY 2009 civilian equivalency rates.

# DEPARTMENT OF DEFENSE DEFENSE INFORMATION SYSTEMS AGENCY

## Defense Working Capital Fund (DWCF) Telecommunications Services/Enterprise Acquisition Services

### FISCAL YEAR (FY) 2009 BUDGET ESTIMATES

The Information Services Activity Group includes the Telecommunications Services and Enterprise Acquisition Services (TS/EAS) business areas. This budget provides a summary of the Information Services Activity Group, as well as details of program objectives and resource requirements for each business area.

The primary mission of TS/EAS is purchasing telecommunications and related information technology products from the worldwide commercial sector, and, in some cases to operate government owned assets to meet Department of Defense and authorized non-defense customers' needs. The TS/EAS business area sustains a critical component of the Global Information Grid and provides the warfighter timely access to valid, secure, and operationally relevant information necessary for the success of military operations. The robustness of this telecommunications infrastructure has been demonstrated by the Defense Information Systems Agency's (DISA) repeated capability to meet terrestrial and satellite surge requirements in Southwest Asia and during disaster relief and recovery efforts. The TS/EAS operations can be divided into two functional components:

- Defense Information Systems Network (DISN) Services
- Enterprise Acquisition Services (EAS)

This business area provides a single source for high quality, reliable, survivable, and secure telecommunications services for Defense command and control. It is also an ideal source for procurement of best-value and commercially competitive information technology. The Defense Information Technology Contracting Organization operates within this business area, providing contract vehicles for information technology and telecommunications. Overall, TS/EAS provides the lowest possible customer price through bulk quantity purchases, economies of scale, and reengineering of current communication services.

#### **Financial Remediation**

This budget submission includes the effects of financial remediation efforts which have been ongoing at DISA for the past two years. The impact has been chiefly on the TS/EAS activity group, and affects both prior year FY 2007 costs/revenues/Net Operating Results (NOR) and Accumulated Operating Results (AOR) via prior period adjustments. The following table summarizes the effect on FY 2007 TS/EAS financial accounts. The financial data cleanup resulted in reductions to both current year and prior period operating costs with some minor adjustments to revenues. The overall impact was an unbudgeted gain to operations. DISA successfully asserted for a clean audit of its FY 2007 Balance Sheet and is undergoing that audit at the present time.

<b>Financial Remediation</b>	
<b>(\$ in millions)</b>	<b>FY 2007</b>
Revenue without remediation	\$3,584.6
Revenue, final with remediation	3,573.7
Cost, without remediation	3,678.6
Cost, final with remediation	3,536.5
Net Operating Result	37.2
Beginning Balance, AOR	151.1
Prior Period Adjustments	74.5
FY 2007 ending balance, AOR	\$262.9

In accordance with DoD fiscal policy, accumulated profits are being returned to customers via Defense Working Capital Fund (DWCF) rates/prices set below projected costs over this budget period. The majority of the profits affected the Defense Information Systems Network (DISN) Subscription Services program, and have allowed the Department to keep the share price relatively constant in FY 2009 vice increasing it to recover all projected costs.

As explained in further detail below, rates and prices set below projected costs will result in a cash decline of approximately \$280 million over the budget years for both activity groups combined. This decline will result in DISA having approximately 7-10 days of operating/six months of capital cash on hand by the end of FY 2009.

### **Defense Information Systems Network Services**

The Defense Information Systems Network provides the interoperable telecommunications connectivity and value-added services required to plan, implement, and support operational missions, anytime, and anywhere. The DISN is a complex program of services focused on sustainment and modernization. The DISN provides dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services on a fee-for-service basis. The following table illustrates its service offerings:



## Components of the Defense Information Systems Network

Category	Offering	Supporting Programs/Networks
DISN Subscription	Voice Services	Defense Switched Network
		Defense Red Switch Network
	Data Services	Internet Protocol Routers
	Video Services	DISN Video Services - Global
	Transport / DISN Core	CONUS High-Speed Transmission
		CONUS Fractional High-Speed Transmission
		Promina
		Caribbean Transmission
		Pacific Transmission
		European Transmission
	TS/SCI Services	Southwest Asia Transmission
TS/SCI Services	DISA's Allocation of the Joint Worldwide Intelligence Communications System	
Messaging	Defense Messaging System	
Centralized Services	Provisioning	
	Network Management	
Reimbursable	Voice Services	Joint Hawaii Information Transfer System
	Satellite Services	Commercial Satellite Services
	Transport	Bosnia
		Kosovo
	Special Programs	DISN Leading Edge Services
		Operations Enduring Freedom and Iraqi Freedom
		DoD COOP Integrated Network
	Wireless	Enhanced Mobile Satellite Services
Secure Mobile Environment-Portable Electronic Device		

Some of the services are provided to customers as a set, and sold on a subscription basis. Other network services are provided individually, and sold on a cost reimbursable basis.

### DISN SUBSCRIPTION SERVICES

The Defense Information Systems Agency (DISA) provides secure voice, video, and data services over a global fiber optic network that is supplemented by circuitry available from the commercial sector. Using a subscription service approach, whereby customers pay a fixed monthly charge to use these services and networks, DISA has sought to streamline the relationship between the Defense Information Systems Network (DISN) and a large customer base that includes Defense, coalition partners, and other federal customers. With the DISN expansion program in 1998 and the Global Information Grid-bandwidth expansion program that was initiated after September 11, 2001, DISA has installed robust network capacity. The Indefeasible Right of Use (IRU) fiber portion of the DISN is referred to as the DISN Core, and together with the non core sites provides vital communications to the warfighter. The DISN provides network connectivity at 398 projected subscription sites, which enable customers to maximize the use of voice, video, and data services. For FY 2009, the number of sites is reduced to 389.

In general, the continued high optempo of the DoD, including Operations Enduring Freedom and Iraqi Freedom, and the intense efforts to combat global terrorism by the United States and its allies all combine to exert upward pressure on DISN usage as the network responds to the operational imperatives of the military services and the supporting agencies.

DISN subscription services are described as follows:

- **Transmission Services** provide a robust worldwide capability to transmit voice, video, data and message traffic for the Combatant Commanders, Military Departments and Defense Agencies. Transmission Services provide the information transport for other services described below, as well as for specialized services.
- **DISA's Allocation of the Joint Worldwide Intelligence Communications System (JWICS)** provides comprehensive worldwide secure high-speed multimedia Top Secret/Sensitive Compartmented Information communications services for the DoD Intelligence Community and the intelligence estimates of other federal agencies.
- **Data Services** provide Secure Internet Protocol Router Network (SIPRNet) as well as Non-classified Internet Protocol Router Network (NIPRNet) capabilities.
- **Voice Services** provide day-to-day commercially competitive services plus unique secure military requirements. Voice Services includes the operation of the Defense Switched Network and Defense Red Switch Network.
- **Video Services** provide both routine and classified video teleconference capabilities for the Department of Defense and other government agencies.
- **Messaging Services** provide day-to-day organizational messaging capabilities for the DoD. The network provides Top Secret, Secret and Unclassified messaging capabilities using four regional Security Operations Centers.
- **Centralized Services** are made up of provisioning support to DISN users and operators and network management support to all programs that make up the DISN as described above.

The following table shows the DISN subscription services share price calculation based on the estimated revenue in the budget years, as well as the number of sites and shares.

#### DISN Subscription Service Rate and DITCO Fee-for-Service

(\$ in millions)	FY 2007	FY 2008	FY 2009
Revenue	\$860.9	\$900.9	\$843.0
Cost	\$804.6	\$960.2	\$929.5
Number of Sites	405	398	389
Number of Shares	7,506	7,634	7,531
Price per Share	\$115,614	\$118,012	\$111,937
Cost per Share	\$107,194	\$125,779	\$123,423
DITCO Fee-for-Service	1.25%	1.25%	1.25%

FY 2007 actual costs for DISN Subscription Services include (\$127.7 million) in credits as a result of the financial data clean-up in preparation for the Balance Sheet audit. As shown above, there is a sharp reduction in DISN Subscription Services revenue in FY 2009. This is largely due to the need to finance technical refreshment of the DISN in order to maintain an efficient, up-to-date network that can continue to provide crucial services to the warfighter. To fund the requirement, the Department has applied operating gains which resulted from DISA's financial data cleanup to drive down the share price in FY 2009. The savings to customer operating accounts was realigned to DISA's procurement account and used to fund required technical refreshment of the network.

## DISN REIMBURSABLE PROGRAMS

In addition to the Subscription Services discussed above, the DISN also offers several other reimbursable telecom services to its customers. The estimated costs of DISN reimbursable programs are as follows:

(\$ in millions)	FY 2007	FY 2008	FY 2009
Bosnia	\$3.68	\$4.61	\$3.79
Kosovo	8.78	9.06	8.80
Southwest Asia contingency operations	61.57	68.51	83.73
Enhanced Mobile Satellite Services	75.18	86.68	89.88
Commercial Satellite Services	169.84	218.19	216.37
Other Reimbursable Costs	30.49	41.55	45.33
Total DISN Reimbursable Costs	\$349.54	\$428.60	\$447.90

Costs for **Bosnia, Kosovo, and SWA contingency operations** support the sustainment of communications infrastructure, to include service leases, non-capital equipment purchases, and the maintenance of network management and operations staffs

The **Enhanced Mobile Satellite Service (EMSS)** is a global mobile satellite communications system that provides secure voice, data, paging, and messaging communications capabilities to DoD, non-DoD, and foreign subscribers as needed. Customer requests for service have increased steadily since an initial surge following 9/11. The current budget estimate of \$86.7 million for FY 2008 and \$89.9 million for FY 2009 is based on Independent Government Cost Estimates (IGCEs) for multiple expiring contracts based on current information and is subject to change after final contract awards.

The **Commercial Satellite Services (COMSATCOM)** program continues to be funded on a reimbursable basis. Increases in workload for COMSATCOM are largely due to the Navy, Marine Corps and the Army requesting additional support for contracts that previously were administered by the General Services Administration. Satellite support for Kosovo and Bosnia remains constant throughout the years.

### **Other Reimbursable:**

The **DISN Leading Edge Services (DISN-LES)** program provides interoperable, secure, and cost efficient Internet Protocol data services for the DoD command, control, intelligence, and mission support communities. The program was approved as a reimbursable program in DISA's DWCF starting in FY 2008 to support a limited RDT&E community within DoD.

The **Joint Hawaii Information Transfer System (JHITS)** provides voice, video, and data services to military bases in the state of Hawaii. The JHITS contract begins its first full year of service in FY 2008. Cost increases for JHITS are due to the depreciation of ten switches previously obtained with DWCF capital funding, and for the completion of one-time transition costs to the new government-owned network operations centers.

The **Secure Mobile Environment-Portable Electronic Device (SME-PED)** is a new program designed to deliver, in a single National Security Agency-designed and approved device, wireless secure and non-secure voice and data capabilities to handheld devices over the Secure IP Router Network (SIPRNet) and Non-secure IP Router Network (NIPRNet). The SME-PED program will support the implementation and operation of the Multi-Carrier Entry Point (MCEP) which will be the initial aggregation point for data flow of SME-PED handheld client users from commercial wireless carriers to the DISN data services. Initially, the program will support up to 30,000 users. As the capability matures, the program will be expanded to accommodate up to 500,000 clients. The cost for DISA to establish and sustain a limited MCEP for SME-PED access to SIPRNet and NIPRNet is estimated at \$5.9 million in FY 2009.

### ENTERPRISE ACQUISITION SERVICES

Enterprise Acquisition Services encompasses a variety of support services to meet DoD information technology contract requirements. Large contract vehicles are available for many essential services: engineering, hardware, equipment and maintenance, integration and support, information security, and computer technology. Contract vehicles are also available for telecommunications circuits and systems that are ordered on an individual basis using telecommunications service requests and the basic agreement contracting process. The mission of Enterprise Acquisition Services also includes acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration, as well as a full range of financial support services including accounting, resource management, financial reporting, vendor payment, customer billing, triannual reviews, etc. Customers provide funding to cover the estimated contract value before contracts are awarded by the Defense Information Technology Contracting Organization (DITCO) and subsequently administered. As a result, budget changes are a direct result of volume projections of the dollar value of contracts customers are expected to request. To recover its operating costs, DISA charges DITCO customers a 1.25% fee for service.

In addition to providing contracting support to the DISN programs, DITCO provides support as depicted in the following table:

<b>(\$ in millions)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Computer Technology Contracts	\$1,524.1	\$2,379.7	\$2,563.4
Telecommunications Contracts (Non-DISN)	\$792.3	\$880.8	\$900.7
Acquisition and Financial Serv cost of operations	\$65.9	\$108.8	\$108.9
Total DWCF Cost	\$2,382.3	\$3,369.3	\$3,573.0
Revenue	\$2,370.3	\$3,344.4	\$3,514.0
Net Operating Result	(\$12.0)	(\$24.9)	(\$59.0)
Civilian Workyears	388	514	514
Military End Strength	8	9	9
Fee-for-Service	1.25%	1.25%	1.25%

As discussed above, the increased costs and business volume in FY 2008 are largely attributed to the DITCO (National Capital Region) operation being added to DISA DWCF beginning in

FY 2008. Financing its operations via the DWCF was requested and approved in the FY 2008 budget. The fee-for-service is being held steady at 1.25% through FY 2009. This fee is set below costs, and therefore returns accumulated operating gains back to the customers of the DITCO.

## TELECOMMUNICATIONS SERVICES/ENTERPRISE ACQUISITION SERVICES

### Operating Budget Summary

(\$ in millions)	FY 2007	FY 2008	FY 2009
Revenue	\$3,573.7	\$4,674.0	\$4,804.4
Costs	3,536.5	4,758.1	4,950.4
Net Operating Result	37.2	(84.1)	(146.0)
Prior Year AOR	151.1	262.9	178.8
Other Changes Affecting AOR	74.5	0.0	0.0
Accumulated Operating Results	\$262.9	\$178.8	\$32.8
Civilian Workyears	868	1,015	1,038
Military End Strength	103	103	103
Capital Budget	\$25.5	\$12.4	\$3.5

## MAJOR CHANGES BETWEEN FISCAL YEARS

### Cost of Operations

(\$ in millions)	FY 2007	FY 2008	FY 2009
FY 2008 Budget Estimate	\$4,065.5	\$4,795.8	\$4,894.0
FY 2009 Budget Estimate	*3,536.5	4,758.1	4,950.4
Change FY 2008 Budget to FY 2009 Budget	(529.0)	(37.7)	56.4

\* FY 2007 actual includes remediation credits of (\$142.1) million

### FY 2008 Budget Estimate to FY 2008 Current Estimate

Total activity group costs are expected to be slightly less than planned mainly attributable to a decrease in inflation of \$22.7 million. The remaining decrease of \$15.0 million is a combination of net decreases in Enterprise Acquisition Services almost entirely offset by increases in Telecommunications Services.

Costs for Enterprise Acquisition Services are estimated at \$3.369 billion in FY 2008, representing a decrease of \$118 million from the FY 2008 Budget Estimate. In light of FY 2007 execution and business volume for IT pass through contracts, FY 2008 and FY 2009 cost estimates have been re-evaluated and reduced accordingly. This reduction will better reflect the actual costs that have been shown over the last year. The ENCORE II contract, which will

provide a broad range of IT solutions to the DoD community and is expected to be awarded in mid FY 2008, will bring a significant amount of new workload. This increase is offset by several expiring contracts such as ENCORE I, and IASSURE. Additionally, closure of the Joint Interoperability Testing Command (JITC) in Slidell, Louisiana after Hurricane Katrina forced DISA to move the Enterprise Business Modernization (EBM) staging suite to the Defense Enterprise Computing Center located in Ogden, Utah. Hosting costs of \$400 thousand that were not required at the Slidell site will now have to be funded. Contractor delays associated with EBM have deferred data clean-up, conversion, migration and government acceptance testing expenses of \$500 thousand to FY 2008, vice FY 2007.

Costs for Telecommunications Services are estimated at \$1,389 million in FY 2008, representing an increase of \$103 million from the FY 2008 Budget Estimate. A total of \$52.2 million of this increase is attributable to DISN Subscription Services (DSS). The DSS increase is largely driven by unanticipated costs of transitioning from the current DISN Video System-Global (DVS-G) contract and system to the new DVS-II contract and system resulting in dual-operations, coupled with increased usage of the system by the warfighter. In addition, increased bandwidth associated with DISN Asynchronous Transfer Mode System (DATM) usage is resulting in increased costs for provisioning the bandwidth and leasing commercial circuits coupled with increased costs in Transmission CONUS (TRN-C) as a result of indirect support provided to theater operations.

The remaining \$50.8 million increase in Telecommunications Services over the FY 2008 Budget Estimate is due to an increase in support of Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) of \$11.4 million and in reimbursable workload of \$39.4 million. For example, this includes Commercial Satellite Service costs which increase \$39.1 million due to additional customer requirements from the Navy, Marine Corps, and Army. FY 2008 costs also increase by \$1.1 million as a result of the depreciation of ten switches for the Joint Hawaii Information Transfer System. Enhanced Mobile Satellite Service (EMSS) cost increases of \$5.8 million are the result of higher business volume and an Independent Government Cost Estimate for replacing expiring contracts. These increases are partially offset by decreases for DISN-Leading Edge Services and Special Telecommunications customers.

#### **FY 2009 Budget Estimate to FY 2009 Current Estimate**

Total activity group costs are expected to be higher than planned mainly attributable to continued optempo for DISN Subscription Service programs, an increase in Telecommunications Services reimbursable workload for Commercial Satellite Services and EMSS, and an increase in contingency costs for OEF and OIF. These increases are partially offset by decreases in inflation and IT pass through contracts due to re-evaluated business volume estimates based on FY 2007 execution.

#### **FY 2008 Current Estimate to FY 2009 Current Estimate**

<b>(\$ in millions)</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>Change</b>
FY 2009 Budget Estimate	\$4,758.1	\$4,950.4	\$192.3

Costs for Enterprise Acquisition Services increase by \$203.7 million between FY 2008 and FY 2009. A total of \$67.3 million is due to inflation. In FY 2009 a total of \$136.4 million of

new business volume will come from contract support provided to DISA test facilities which perform services not only for DISA programs, but for programs across the Department. The Defense Information Technology Contracting Organization is providing contract support for tests done by Joint Interoperability Testing Command (JITC) and Joint Spectrum Command (JSC), so the tests done by contract on behalf of testing customers will become part of the DWCF business volume in FY 2009. The ENCORE II contract will also be fully materialized by FY 2009, meaning it will contribute to a larger workload increase as well. In addition, Enterprise Acquisition Services expects \$30.0 million in growth in FY 2009 as all DoD customers transition from FTS to Network and purchase these services via DITCO.

Costs for Telecommunications Services decrease a total of \$11.4 million from FY 2008 to FY 2009. Reduced DISN Subscription Services (DSS) costs of \$30.7 million are primarily due to the completion of the transition from the contractor-owned DISN Video System-Global system to the government-owned DVS II system in the first quarter of FY 2009. Additionally, DISA is budgeting \$13.1 million of Southwest Asia Transmission costs as reimbursable contingency costs. In the past, these costs have been included in Subscription Services but will now be funded on a reimbursable basis. The overall decrease in DSS is partially offset by an increase in reimbursable workload for both Secure Mobile Environment-Portable Electronic Devices (+\$5.9 million) and Enhanced Mobile Satellite Services (+\$3.2 million), and the \$13.1 million increase for reimbursable GWOT funding.

## **DISA DWCF CASH**

### **Estimated Net Outlays and Cash Balance (\$ in millions)**

<b>FISCAL YEAR</b>	<b>Computing Services</b>	<b>Telecommunications Services/Enterprise Acquisition Services</b>	<b>DISA DWCF TOTAL</b>
<b>FY 2007 Cash Balance</b>	\$228.7	\$295.0	\$523.7
FY 2008 Net Outlays	\$115.2	\$89.0	\$204.2
<b>FY 2008 Cash Balance</b>	\$113.5	\$206.0	\$319.5
FY 2009 Net Outlays	\$8.0	\$68.1	\$76.1
<b>FY 2009 Cash Balance</b>	\$105.5	\$137.9	\$243.4

The consolidated DISA DWCF cash balance at the end of FY 2007 was \$523.7 million, which includes \$32.1 million of unearned prior year advance billings. Revenues will be earned during FY 2008 with no additional billings, so this contributes \$32.1 million to the anticipated FY 2008 net outlays of \$319.5 million. FY 2009 net outlays are projected at \$76.1 million, bringing the projected FY 2009 cash balance down to \$243.4 million, enough for 10 days of operations plus six months of capital outlays. To balance cash between the two activity groups, a total of \$96.9 million will be moved from Computing Services to Telecommunications Services/Enterprise Acquisition Services during FY 2008.

The main reason for the cash decline over this budget period is the return of accumulated profits to the customers in rates and prices, which have been set below costs by \$241.1 million over the

two-year period. Another factor in the decline is the net outlays for capital investments: disbursements will exceed collections (depreciation included in rates) by \$31.4 million over this two-year period, mostly during FY 2008.

## CAPITAL INVESTMENT PROGRAM

### Capital Budget Summary

(\$ in millions)	FY 2007	FY 2008	FY 2009
Telecommunications Services	\$21.8	\$12.4	\$2.6
Enterprise Acquisition Services	3.7	0.0	0.9
TS/EAS	\$25.5	\$12.4	\$3.5

### Capital Budget Estimated Annual Capital Cash

(\$ in millions)	FY 2007	FY 2008	FY 2009
Collections	\$1.5	\$4.6	\$8.8
Disbursements	51.3	39.4	6.6
Net Outlays	\$50.2	\$34.8	(\$2.2)

The DISA TS/EAS's Capital program includes estimates to sustain the Enhanced Mobile Satellite Service (EMSS) Gateway and to upgrade and expand the Hawaii Information Transfer System (HITS)/ Joint Hawaii Information Transfer System (JHITS) switches. The decrease from the FY 2007 program of \$25.5 million to \$3.5 million in FY 2009 reflects the completion of the EMSS projects and the decreased requirements for JHITS.

#### **FY 2008 Capital Budget to FY 2008 Current Estimate**

The FY 2008 Budget included capital requirements of \$12.4 million, and there is no change in the current estimate. As mentioned above, this will fund investments needed to sustain critical EMSS capital assets. One new EMSS project has been added: An additional Earth Terminal Control Communications Subsystem to add redundancy to the original which was installed in 1998. Funds included for the JHITS switches (tech refresh and some expansion) are consistent with the FY 2008 Budget Estimate. Included in this submission is \$0.6 million for unspecified minor construction. Currently, DISA has several pending facilities projects at various locations. This line is to provide funding in the event that any if the projects at DISA DWCF locations fall into the minor construction category.

#### **FY 2008 Current Estimate to FY 2009 Current Estimate**

The FY 2009 current estimate is \$3.5 million, reflecting an \$8.9 million decrease from FY 2008, and a \$1.3 million decrease from the FY 2009 column of the FY 2008 Budget. The FY 2009 funding is requested to support further JHITS switch expansion and unspecified minor construction. Also included is \$0.9 million for unspecified software development. Over this budget period DISA will implement a new accounting system and will complete the transition to



its new Enterprise Business Modernization system which replaces several legacy applications. Some software development funds could be required to resolve unforeseen integration issues.

### PERFORMANCE MEASURES

Telecommunications, both terrestrial and satellite, are key to information superiority and support the Global Information Grid as it creates a net-centric environment to enhance warfighter capabilities. The continued capability to meet these requirements is the focus of the operation of the DISN and the operational integration of the Global Information Grid. These efforts, which have guided this budget's development, support the Department's goal of bandwidth availability. Besides pricing measures (share price) that establish financial metrics in a revolving fund, the DISN has operating metrics tied to the Department's strategic goals. These operational metrics include the cycle time for delivery of data and satellite services as well as service performance objectives such as availability, quality of service, and security measures. Both of these categories of metrics have guided the development of this submission. The business area tracks its performance results through DISA Corporate Board Reviews, Internal Performance Reviews, Balanced Scorecard results, and annual customer surveys. The Balanced Scorecard specifically reviews performance metrics, financial stability, and significant event milestones. Shown below are major TS/EAS performance and performance improvement measures that have driven budget development separated by Telecommunications Services and Enterprise Acquisition Services.

The following performance measures apply for Telecommunications Services:

SERVICE OBJECTIVE	FY 2007 ACTUALS	FY 2009 OPERATIONAL GOAL
Non-Secure Internet Protocol Router Network access circuit availability	99.87% for <b>37,534 Mb</b>	99.55% for <b>75,802 Mb</b>
Secure Internet Protocol Router Network latency (speed of the network) in the continental United States	52	Not to exceed 100 Milliseconds
DISN Video Services quality and availability	100.00% for <b>18 million</b> of minutes	99.55% for <b>20 million</b> of minutes
Defense Switched Network services availability	99.39% for <b>1,408 million</b> of minutes	99.90% for <b>1,618 million</b> of minutes
DISN Transmission backbone system circuit availability	99.78% of 3,947Gb	99.50% of 3,947Gb
DISN Customer Service first call resolution	69%	70%
Service Delivery (days) – NIPRNet	195	176
Service Delivery (days) - SIPRNet	181	163

The following performance measure applies for Enterprise Acquisition Services:

<b>SERVICE OBJECTIVE</b>	<b>FY 2007 ACTUALS</b>	<b>FY 2009 OPERATIONAL GOAL</b>
Percent of total eligible contract dollars competed	86.00%	75.00%
*Percent of total eligible contract dollars awarded to small businesses	24.00%	24.00%

\*The FY 2009 goal for DISA DITCO will not be established until the fall of 2008, as a result the FY 2009 goal is currently the same as the FY 2008 goal.

**CIVILIAN PERSONNEL**  
(\$ in millions)

<b>Telecommunications Services/ Enterprise Acquisition Services</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Civilian End Strength	907	1,044	1,067
Civilian Workyears	868	1,015	1,038
Civilian Personnel Cost	\$86.3	\$99.9	\$104.5

Civilian personnel levels for TS/EAS are projected to increase each fiscal year. The overall increase from FY 2007 to FY 2008 is 137 end strength and 147 workyears. This increase is principally due to the 91 end strength and 85 workyears for the Defense Information Technology Contracting Organization-National Capital Region transfer into the DWCF, approved in the FY 2008 budget. In addition, several complex telecommunications service contracts have been re-awarded and there are others planned within the next 1-2 years that require additional financial and contracting personnel for transitioning contracts from legacy to new contract vehicles.

The increase from FY 2008 to FY 2009 of 23 end strength and 23 workyears is primarily due to functional transfers. This FY 2009 Budget Estimate reflects the transfer of 11 personnel who support the DISN from appropriated O&M, Defense Wide (BA4) into the DISA DWCF. Another functional transfer moves 10 workyears from five sites that support the DISN into the Telecommunications Services business area from Computing Services. This transfer is within the DISA DWCF, and is budget neutral in total.

**MILITARY PERSONNEL**  
**(\$ in millions)**

<b>Telecommunications Services/ Enterprise Acquisition Services</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Military End Strength	103	103	103
Military Workyears	103	103	103
Military Personnel Cost	\$6.4	\$6.7	\$6.8

Military Personnel numbers for TS/EAS from FY 2007 to FY 2009 are projected to remain constant. The change in costs is attributable to the updated civilian equivalency table used to calculate DWCF reimbursements to the military pay accounts.

**Changes in the Cost of Operations**  
**Component: Defense Information Systems Agency**  
**Activity group: Computing Services**  
**February, 2008**

FY 2007	Actual	606.8
FY 2008	Estimate in FY 2008 Budget Estimate	693.3
	<i>Pricing Adjustments:</i>	
	FY 2008 non-labor price adjustment	(2.2)
	<i>Program Changes:</i>	
	Miscellaneous customer workload adjustments	0.8
	Reduced depreciation expense due to capacity on demand services	(4.6)
	Reduced contractor support	(13.7)
	Un-materialized workload for United States Transportation Command	(2.2)
	Reduction in Defense Finance and Accounting Service requirements due to automation of travel voucher processing utilizing the Defense Travel System	(1.3)
	Cost decrease due to student replacement of higher graded retirees	(0.9)
	Reduction in estimate of U.S. General Services Administration space requirements	(0.8)
	Department of Defense Inspector General Statement on Auditing Standards No. 70 audit at Defense Enterprise Computing Centers	3.3
FY 2008	Current Estimate	671.6
	<i>Pricing Adjustments:</i>	
	Non-Labor Inflation	8.5
	Civilian/Military Pay Raise	3.6
	Annualization of Civilian/Military Pay Raise	1.4
	<u>Functional Transfer for Reduced Headquarters Allocation</u>	(5.1)
	Reallocation of shared Headquarters costs from DISA DWCF customer accounts to DISA O&M - Defense Wide BA 4	
	<u>Functional Transfer of Node Site Coordinators for the DISN</u>	(1.3)
	Transfer of operations and support personnel from DWCF Computing Services to DWCF Telecommunications Services	
	<i>Program Changes:</i>	
	Increase in capacity services on demand contract for tech refreshment offset by reduced depreciation costs	23.2
	Increased requirements for Net-Centric Enterprise Systems content deliverables	6.7
	Additional License Fees for software renewals	2.1
	Reduction in contractor support requirements	(8.1)
	Reduction in personnel costs	(8.3)
	Miscellaneous	(0.2)
FY 2009	Estimate	694.1

**Source of New Orders and Revenue**  
**Component: Defense Information Systems Agency**  
**Activity Group: Computing Services**  
**February, 2008**  
(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders			
a. Orders from DoD Components			
Air Force Appropriated	145.6	160.1	156.0
O&M	145.6	160.1	156.0
Army Appropriated	17.5	18.6	18.7
O&M	17.2	18.1	18.2
RDT&E	0.3	0.5	0.5
Navy and Marine Corps Appropriated	23.5	27.0	31.5
O&M	23.5	27.0	31.5
RDT&E	0.0	0.0	0.0
DISA Appropriated	39.0	53.7	66.1
O&M	24.1	25.1	29.5
RDT&E	14.9	28.6	36.6
MHS Appropriated	64.2	66.8	74.5
O&M	64.2	66.8	74.5
DLA Appropriated	4.3	5.0	4.0
O&M	4.3	5.0	4.0
BTA Appropriated	32.5	34.6	35.9
O&M	32.5	34.6	35.9
Other DoD Accounts - Appropriated	13.7	16.2	17.3
O&M	9.0	11.0	11.1
RDT&E	4.7	5.2	6.1
b. Orders from Other Fund Activity Groups			
Air Force - Working Capital	30.9	30.5	33.4
AF Depot Maintenance	0.0	0.1	0.1
AF Information Services	0.0	0.0	0.0
AF Supply Management	0.1	0.0	0.0
AF - Other Activity Groups	30.8	30.4	33.3
Army - Working Capital	10.9	14.9	15.7
Army Depot Maintenance	10.9	14.9	15.7
Navy - Working Capital	20.2	19.8	21.3
Navy Base Support	0.2	0.0	0.0
Navy Depot Maintenance	0.1	0.0	0.0
Navy Supply Management	15.4	14.1	15.3
Navy - Other Activity Groups	4.5	5.6	6.0
DISA - Working Capital	5.7	6.1	7.2
Telecom Services/Enterprise Acq. Services	5.7	6.1	7.2
Computing Services	0.0	0.0	0.0
U.S. Transportation Command - WCF	3.5	4.7	4.9
U.S. Transcom HQ	3.5	4.7	4.9
DFAS	115.4	125.3	130.5
DFAS Finance Operations	115.4	125.3	130.5

**Source of New Orders and Revenue**  
**Component: Defense Information Systems Agency**  
**Activity Group: Computing Services**  
**February, 2008**  
(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
DLA	48.1	62.3	71.9
DLA Distribution Depots	23.9	26.2	30.3
DLA Information Services	9.4	10.1	10.6
DLA Reutilization and Marketing	9.5	24.4	29.2
DLA Supply Management	5.4	1.6	1.7
Other Defense Organizations - WCF	6.4	9.3	10.2
Other - Working Capital	6.4	9.3	10.2
c. Total DoD	581.4	654.9	699.1
d. Other Orders	0.0	0.0	0.0
Total New Orders	581.4	654.9	699.1
2. Carry In Orders	0.0	0.0	0.0
3. Total Gross Orders	581.4	654.9	699.1
4. Other Income	0.0	0.6	0.1
5. Revenue (-)	581.4	655.5	699.2
6. End of Year Work in Process (-)	0.0	0.0	0.0
7. Direct Contract Obligations	0.0	0.0	0.0
8. FMS, BRAC, Other Federal, and Non-Federal orders (-)	0.0	0.0	0.0
9. Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0
10. Months of Carry-Over	0.0	0.0	0.0

**Revenue and Expenses**  
**Component: Defense Information Systems Agency**  
**Activity Group: Computing Services**  
**February, 2008**  
(Dollars in Millions)

	FY 2007	FY 2008	FY 2009
Revenue			
Gross Sales			
Operations	528.0	599.9	656.5
Capital Surcharge	0.0	0.0	0.6
Depreciation Excluding Major Construction	53.3	55.0	42.0
Major Construction Depreciation	0.0	0.0	0.0
Other Income	0.0	0.6	0.1
Refunds/Discounts(-)	0.0	0.0	0.0
Total Income	581.4	655.5	699.2
Expenses			
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.5	0.6	0.6
Civilian Personnel Compensation & Benefits	151.4	162.5	158.9
Travel & Transportation of Personnel	2.7	3.5	3.6
Materials and Supplies	12.2	10.6	13.1
Equipment	0.0	0.0	0.0
Capital Investment Less Than Investment Threshold	0.0	0.0	0.1
Other Purchases from Revolving Funds	28.2	34.4	35.9
Transportation of Things	0.3	0.6	0.6
Depreciation Capital	53.3	55.0	42.0
Rent, Communications, Utilities, & Misc. Charges	5.9	6.9	7.0
Printing and Reproduction	0.1	0.1	0.1
Advisory and Assistance Services	0.0	0.0	0.0
Other Purchased Services	352.2	397.4	432.2
Total Expenses	606.8	671.6	694.1
Operating Result	(25.4)	(16.1)	5.1
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Passthroughs and Other Appropriations Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0
Net Operating Result	(25.4)	(16.1)	5.1
Prior Year AOR	36.4	11.0	(5.1)
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	11.0	(5.1)	0.0
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
Accumulated Operating Result for Budget Purpose	11.0	(5.1)	0.0

**Changes in the Costs of Operations**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February, 2008**  
(Dollars in Millions)

FY 2007	Actual	3,536.5
FY 2008	Estimate in FY 2008 Budget Estimate	4,795.8
	<i>Pricing Adjustments:</i>	
	Non-labor Inflation	(22.7)
	<i>Program Changes:</i>	
	Net increase in Computer Technology Contracts due to transition to Encore II	157.9
	Net decrease in Telecommunications Contracts due to revised workload estimates	(279.6)
	Increase in Defense Information Systems Network (DISN) Subscription Services due to overall higher DoD optempo, as well as DISN Video Services - Global (DVS-G) to DVS-II transition and Provisioning Support Services	52.2
	Net increase in telecommunications workload for Commercial Satellite Services, Enhanced Mobile Satellite Services (EMSS) and special telecommunications customers - includes Contracted Advisory and Assistance Services (CAAS) of \$15.1 million	39.4
	Increase in Contingency costs in support of Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF)	11.4
	Increase in Enterprise Business Modernization (EBM) deployment costs	1.2
	Increase in Access costs	3.1
	Miscellaneous	(0.6)
FY 2008	Current Estimate	4,758.1
	<i>Pricing Adjustments:</i>	
	Non-labor inflation	92.4
	Civilian/Military pay raise	2.3
	Annualization of Civilian/Military pay raise	0.9
	<u>Functional Transfer for Reduced Headquarters Allocation:</u>	(0.5)
	Reallocation of shared Headquarters costs from DISA DWCF customer accounts to DISA O&M - Defense Wide BA 4	
	<u>Functional Transfer of Node Site Coordinators for the DISN:</u>	1.3
	Transfer of operations and support personnel from DWCF Computing Services to DWCF Telecommunications Services	



**Changes in the Costs of Operations**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February, 2008**  
(Dollars in Millions)

	<i>Functional Transfer of DISN Support Personnel:</i>	1.4
	Transfer of remaining DISN personnel from DISA O&M - Defense Wide BA 4 to DWCF	
	<i>Program Changes:</i>	
	Net increase in pass-through contracts due to workload for Encore II, Networx and Joint Interoperability Testing Command, partially offset by expiring contracts	136.4
	Decrease in DISN Subscription Services costs due to completion of transition to DVS-II and reduced transmission	(40.2)
	Increase in GWOT reimbursable authority for Southwest Asia Transmission costs	13.1
	Decrease in DISN Subscription Services Costs due to portion of Southwest Asia Transmission moving to reimbursable Global War on Terror (GWOT) funding	(13.1)
	Decrease in Joint Hawaii Information Transfer System due to completion of transition from Hawaii Information Transfer System	(3.0)
	Decrease in workload for other special telecommunications	(1.5)
	Introduction of Secure Mobile Environment - Portable Electronic Devices reimbursable telecommunications program and migration of the Multi-carrier Entry Point from contractor to government owned facility (Defense Enterprise Computing Center)	5.9
	Completion of EBM one-time deployment costs	(1.0)
	Decrease in audit and contractor support costs	(4.3)
	Decrease in CAAS, principally due to completion of one-time IA efforts by EMSS to maintain Authority to Operate	(1.6)
	Increase in Depreciation due to EMSS investments and EBM FOC Miscellaneous	4.2 (0.5)
FY 2009	Estimate	4,950.4

**Source of New Orders and Revenue**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February, 2008**  
(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders			
a. Orders from DoD Components			
Air Force Appropriated	596.7	684.4	680.6
O&M	546.6	631.7	625.7
RDT&E	28.2	17.9	18.6
Procurement	22.0	34.9	36.3
Army Appropriated	730.9	908.8	922.9
O&M	671.6	828.1	836.8
RDT&E	40.2	22.6	24.1
Procurement	18.2	57.4	61.2
MILCON	0.8	0.8	0.8
Navy and Marine Corps Appropriated	396.6	454.2	440.0
O&M	367.8	418.9	403.2
RDT&E	15.0	20.3	20.8
Procurement	13.8	15.1	15.9
DISA Appropriated	406.4	1,083.6	1,176.5
O&M	328.1	849.1	917.4
RDT&E	55.7	169.0	186.7
Procurement	22.6	65.5	72.4
DIA Appropriated	27.8	23.3	23.2
O&M	27.8	23.3	23.2
MHS Appropriated	0.0	0.0	7.4
O&M	0.0	0.0	7.4
NGA Appropriated	16.2	16.0	15.4
O&M	16.2	16.0	15.4
NSA Appropriated	28.6	22.5	22.6
O&M	7.2	5.9	6.0
RDT&E	20.2	16.5	16.6
Procurement	1.3	0.0	0.0
DLA Appropriated	1.5	1.0	1.1
O&M	1.3	0.5	0.6
RDT&E	0.2	0.5	0.5
Office of Under Secretary of Defense Approp.	228.9	304.1	313.2
O&M	153.3	214.2	219.5
RDT&E	57.4	64.1	66.9
Procurement	18.1	25.7	26.8
Defense Telephone Service (DTS)	3.4	4.7	5.9
O&M	3.4	4.7	5.9
Defense Contract Audit Agency (DCAA)	1.7	9.3	2.8
O&M	1.7	9.3	2.8
Defense Special Weapons Agency	0.0	0.0	0.0
O&M	0.0	0.0	0.0

**Source of New Orders and Revenue**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February, 2008**  
(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Defense Advanced Research Project Agency	0.0	0.6	0.0
RDT&E	0.0	0.6	0.0
North Atlantic Treaty Organization (NATO)	0.2	0.1	0.1
O&M	0.2	0.1	0.1
Armed Forces Radio and Television	24.1	0.0	0.0
O&M	24.1	0.0	0.0
Canadian Forces Comm Services	3.1	2.5	2.5
O&M	3.1	2.5	2.5
Defense Investigative Service	0.3	0.0	0.0
O&M	0.3	0.0	0.0
Defense Nuclear Agency	0.0	0.0	0.0
O&M	0.0	0.0	0.0
Information Systems Procurement Office	0.1	0.0	0.0
O&M	0.1	0.0	0.0
Technical Research Institute	0.1	0.0	0.0
O&M	0.1	0.0	0.0
Defense Security Service	21.1	27.0	28.3
O&M	13.0	16.7	17.5
RDT&E	8.1	10.3	10.8
Counter Intelligence Field Activity	0.0	0.0	0.6
O&M	0.0	0.0	0.6
Other DoD Accounts - Appropriated	13.8	23.8	25.7
O&M	0.4	23.1	24.5
RDT&E	13.4	0.7	1.2
Procurement	0.0	0.0	0.0
<b>b. Orders from Other Fund Activity Groups</b>			
Air Force - Working Capital	72.7	72.0	74.9
AF Depot Maintenance	0.1	0.0	0.0
AF Information Services	0.0	36.8	38.3
AF - Other Activity Groups	0.0	35.1	36.6
U.S. Transportation Command	72.6	0.0	0.0
Army - Working Capital	0.2	1.0	1.1
Army Information Services	0.0	1.0	1.1
Army Supply Management	0.2	0.0	0.0
Navy - Working Capital	37.1	42.8	45.2
Navy Base Support	0.9	0.0	0.0
Navy Depot Maintenance	0.3	0.0	0.0
Navy Information Services	0.0	42.8	45.2
Navy Research and Development	32.8	0.0	0.0
Navy Supply Management	0.0	0.0	0.0
Navy Transportation	3.1	0.0	0.0
DISA - Working Capital	368.5	486.2	517.4

**Source of New Orders and Revenue**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February, 2008**  
(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Telecom Services/Enterprise Acq. Services	0.0	3.7	3.7
Computing Services	368.5	482.5	513.8
DFAS	3.9	5.8	5.9
DFAS Finance Operations	3.9	5.8	5.9
Other DoD	0.3	0.0	0.0
Joint Logistics Systems Center	0.3	0.0	0.0
DLA	32.6	31.1	31.4
DLA Defense Automated Printing Services	3.6	8.8	0.1
DLA Distribution Depots	1.1	0.0	0.0
DLA Reutilization and Marketing	0.3	0.0	0.0
DLA Supply Management	27.6	22.3	31.3
Defense Commissary Agency (DECA)	90.2	76.6	77.6
DECA Commissary Operations	90.2	56.1	56.7
DECA Commissary Resale	0.0	20.6	20.8
Other Defense Organizations - WCF	1.1	0.0	10.9
Other - Working Capital	1.1	0.0	10.9
<b>c. Total DoD</b>	<b>3,108.1</b>	<b>4,281.6</b>	<b>4,433.2</b>
<b>d. Other Orders</b>			
Other Federal Agencies	460.1	384.3	362.9
Agency for International Development	0.0	1.4	0.0
Central Intelligence Agency	1.8	12.2	13.4
Communications Man. and Control Activity	0.0	0.1	0.1
Drug Enforcement Agency	0.0	0.5	0.5
Department of Commerce	1.2	1.7	1.9
Department of Energy	1.1	2.4	1.8
Department of Interior	1.9	2.5	2.5
Department of Justice	6.6	14.1	13.0
Department of State	5.1	6.0	6.5
Department of Transportation	0.0	1.1	1.1
Department of Education	(0.1)	0.0	0.0
Environmental Protection Agency	0.0	0.0	0.0
General Services Administration	(0.2)	0.0	0.0
Health and Human Services	0.2	0.2	0.2
National Archives Record	0.0	0.0	0.0
National Aeronautics and Space Administration	1.1	0.9	0.9
National Bureau of Standards	0.2	0.0	0.0
Department of the Treasury	0.2	0.3	0.3
U.S. Coast Guard	29.2	2.5	2.6
Department of Agriculture	8.4	2.3	2.2
Veterans Administration	0.5	0.7	0.7
White House Communications Agency	54.8	58.6	58.5

**Source of New Orders and Revenue**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February, 2008**  
(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Federal Bureau of Investigation	0.0	1.8	1.7
Department of Homeland Security	222.0	180.9	166.9
U.S. Senate	0.0	0.0	0.0
U.S. Geological Survey	0.0	0.6	0.6
Federal Aviation Administration	126.0	93.3	87.4
National Institute of Standards and Technology	0.0	0.1	0.0
Other Non-Federal	5.5	8.2	8.3
British Embassy	0.5	0.6	0.6
Local Government	0.0	0.0	0.0
Federal Credit Unions	0.0	0.0	0.0
Other Services	5.0	6.4	6.5
State Government	0.0	0.0	0.0
Foreign Government Agency	0.0	1.2	1.1
 Total New Orders	 3,573.7	 4,674.0	 4,804.4
2. Carry In Orders	0.0	0.0	0.0
3. Total Gross Orders	3,573.7	4,674.0	4,804.4
4. Other Income	0.0	0.0	0.0
5. Revenue (-)	3,573.7	4,674.0	4,804.4
6. End of Year Work in Process (-)	0.0	0.0	0.0
7. Direct Contract Obligations	0.0	0.0	0.0
8. FMS, BRAC, Other Federal, and Non-Federal orders (-)	0.0	0.0	0.0
9. Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0
10. Months of Carryover	0.0	0.0	0.0

**Revenue and Expenses**  
**Component: Defense Information Systems Agency**  
**Activity Group: Telecommunications Services/Enterprise Acquisition Services**  
**February, 2008**  
(Dollars in Millions)

	FY 2007	FY 2008	FY 2009
Revenue			
Gross Sales			
Operations	3,572.9	4,669.4	4,794.7
Capital Surcharge	0.0	0.0	0.9
Depreciation Excluding Major Construction	0.9	4.6	8.8
Major Construction Depreciation	0.0	0.0	0.0
Other Income	0.0	0.0	0.0
Refunds/Discounts(-)			
Total Income	3,573.7	4,674.0	4,804.4
Expenses			
Salaries and Wages:			
Military Personnel Compensation & Benefits	6.4	6.7	6.8
Civilian Personnel Compensation & Benefits	86.3	99.9	104.6
Travel & Transportation of Personnel	2.8	5.0	5.1
Materials and Supplies	183.2	250.7	255.7
Equipment	0.0	0.0	0.0
Capital Investment Less Than Investment Threshold	0.0	0.0	(0.1)
Other Purchases from Revolving Funds	8.6	11.6	12.0
Transportation of Things	0.0	0.0	0.0
Depreciation Capital	0.9	4.6	8.8
Rent, Communications, Utilities, & Misc. Charges	1,556.9	1,434.3	1,579.2
Printing and Reproduction	0.1	0.1	0.1
Advisory and Assistance Services	4.2	25.0	23.9
Other Purchased Services	1,687.1	2,920.2	2,954.3
Total Expenses	3,536.5	4,758.1	4,950.4
Operating Result	37.2	(84.1)	(146.0)
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Passthroughs and Other Appropriations Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0
Net Operating Result	37.2	(84.1)	(146.0)
Prior Year AOR	151.1	262.9	178.8
Other Changes Affecting AOR	74.5	0.0	0.0
Accumulated Operating Result	262.9	178.8	32.8
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
Accumulated Operating Result for Budget Purpose	262.9	178.8	32.8

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group**  
**FISCAL YEAR (FY) 2009 Budget Estimates**

**FUNCTIONAL DESCRIPTION**

The Defense Logistics Agency (DLA) Non-Energy Supply Management Activity Group incorporates those activities, programs and costs related to materiel management. Costs include operations (salaries and expenses), materiel (items sold to the military services) and capital investments (purchase of equipment, software development and minor construction). In addition, DLA's Non-Energy Supply Management includes a small number of DoD Logistics support activities, such as the Defense Logistics Information Service (DLIS) and the Defense Automated Addressing Systems Center (DAASC). Nearly 25.2 million customer orders are received annually from the military services, other federal agencies, non-federal agencies and foreign military for the 5.2 million consumable items managed by DLA.

The DLA's Non-Energy inventories are broken into seven Supply Chains. Four Supply Chains support Troop operations (uniforms, food, medical, and construction and equipment) and the three remaining Supply Chains support Weapons System (repair parts and operating supplies):

**Organizational responsibilities:**

**Troop Support** managed by the Defense Supply Center Philadelphia Inventory Control Point (ICP) - consists of four separate Supply Chains which provide food, clothing, medicine, medical equipment, construction and equipment supplies and services to the Military Services and non-DoD customers:

The **Clothing and Textiles Supply Chain** is the primary source for over 35,000 clothing and textile items that outfit U.S. troops and civilian customers. These items include uniforms, helmets, body armor, chemical protective suits, footwear, tents, and other related items. FY 2009 sales are projected at \$1.9 billion. Each year the Clothing and Textiles Supply Chain processes 3.6 million customer orders using over 4,250 contracts/delivery orders to over 220 suppliers.

The **Medical Supply Chain** is the primary source for 1.6 million medical items for the Military Services in peacetime and war. These items include medical supplies, equipment, pharmaceuticals and other health care items; everything from first-aid kits to fully deployable field hospitals and complete turnkey radiology suites. FY 2009 sales are projected at \$4.3 billion. Each year the Medical Supply Chain processes nine million customer orders using approximately 300 suppliers and awards 42,000 contracts.

The **Subsistence Supply Chain** is the primary source for nearly 75,000 Subsistence items and serves as the key link between the Military Services and the U.S. food industry. In addition to the support provided to the Military Services and to other Federal agencies, Subsistence also supports public health service hospitals, the U.S. Department of Agriculture national school lunch program, and the District of Columbia school district. Items include fresh fruits and vegetables, frozen and dehydrated food, and Meals Ready-to-Eat. FY 2009 sales are projected at \$2.6 billion. Each year the Subsistence Supply Chain processes 375,000 multi-line customer orders using 1,300 contracts to over 1,000 suppliers.

The **Construction and Equipment Supply Chain** is the primary source for over 348,000 Construction and Equipment items for the Services and other Federal Agencies. The Construction and Equipment product line includes fire and emergency service equipment, marine lifesaving equipment, wood products, lighting, metals, building materials, safety and rescue equipment, and everything used in facilities maintenance. FY 2009 sales are projected at \$2.2 billion. Each year the Construction and Equipment Supply Chain processes 1.2 million customer orders using over 226,000 contracts to over 2,980 suppliers.

**Weapons Systems Support** consists of three separate Supply Chains - Aviation (managed by the Defense Supply Center Richmond (DSCR), Land and Maritime (managed by the Defense Supply Center Columbus (DSCC) - which provide repair parts for Military Service weapon systems:

The **Aviation Supply Chain** is the primary source for nearly 1.3 million repair parts and operating supply items for aviation. These items include a mix of military-unique items supporting over 1,300 major weapon systems and other items readily available in the commercial market. These



items range from critical, safety-of-flight air frame structural components and aircraft engine parts, to electric cable and electrical power products, packaged and bulk lubricating oils, industrial gases, precision instruments, environmental products and consumable items. FY 2009 sales are projected at \$3.4 billion. Each year the Aviation Supply Chain processes more than 4.7 million customer orders using over 370,000 contracts to more than 9,400 suppliers with over 65,000,000 delivered items.

The **Land Supply Chain** is the primary source for nearly 383,124 repair parts and operating supply items for land-based weapon systems. These items include a mix of military-unique items supporting over 529 major weapon systems as well as items readily available in the commercial market. FY 2009 sales are projected at \$1.8 billion. Each year the Land Supply Chain processes 2.6 million customer orders using over 357,388 contracts to over 3,300 suppliers.

The **Maritime Supply Chain** is the primary source for nearly 1.5 million repair parts and operating supply items for maritime-based systems. These items include a mix of military-unique items supporting over 434 major weapon systems, electronic components supporting all Services' weapons systems, and consumable items readily available in the commercial market. FY 2009 sales are projected at \$1.7 billion. Each year the Maritime Supply Chain processes 3.7 million customer orders using over 323,831 contracts to over 5,500 suppliers.

#### **Other DoD Logistics Support Organizations:**

The **Defense Logistics Information Service (DLIS)** supports all logistics functions of DoD, other government agencies, and foreign governments by managing and distributing logistics information on 7 million supply items in the Federal Logistics Information System. The logistics information which DLIS provides through various systems and products, range from operating supplies and spare and repair parts to propeller blades and space vehicles.

The **Defense Automatic Addressing Systems Center (DAASC)** designs, develops, and implements logistics solutions that improve customers' requisition processing and logistics management processes worldwide. The primary mission is to receive, edit, and route logistics transactions for the Military Services and

Federal Agencies. The DAASC processes over 5 billion DoD logistics transactions per year, applies numerous DoD and Service/Agency edits and validations against these transactions, and routes the data to the appropriate destination. The DAASC provides interoperability between many unique Service supply systems. This is accomplished by translating, editing, and validating dissimilar, often non-standard, data formats, and then forwarding the transformed data to the recipient, in a format compatible with their system.

**BUDGET HIGHLIGHTS**

**Global War on Terrorism:**

The DLA Non-Energy Supply Chains provide a wide range of supplies and services in support of the Global War on Terrorism (GWOT); such as medical supplies, clothing, food, and spare parts. In addition, DLA sends technical experts into contingency locations to research and resolve critical issues which impact military readiness. The Non-Energy Supply FY 2007 actual sales and FY 2008-2009 projected sales in support of the GWOT are reflected as follows:

(\$ in millions)	FY 2007	FY 2008	FY 2009
GWOT Sales	4,355.9	2,809.7	1,718.1

**Base Realignment and Closure (BRAC):**

The chart below highlights BRAC 2005 costs and FTEs requirements for FY 2007 through FY 2009; which include:

- Depot Level Reparable (DLR) Procurement Management (Recommendation 176),
- Additional changes to Privatization (Recommendation 175),
- Consumable Item Transfer (CIT) (Recommendation 176) and
- Supply, Storage and Distribution (SS&D) Reconfiguration (Recommendation 177).
- Materiel related costs were included in the Land Supply Chain to support the USAF Life Cycle Cost Program for Tires.

CIT and Privatization costs/FTEs are included as direct costs recovered in our rates; DLRs and SS&D costs/FTEs are categorized

as reimbursable, outside of our rates. Cost estimates are based on approved or in-process BRAC 2005 Business Plans, and do not reflect the final transfer-in-place personnel.

<b>BRAC 2005 FTEs/Costs</b>	FY 2007	FY 2008	FY 2009
Direct FTEs	0	43	43
Direct Costs - Labor/Non-Labor (\$ in millions)	8.1	24.4	22.0
Reimbursable FTEs	0	1,303	2,049
Reimbursable Costs (\$ in millions)	1.0	142.8	220.3
Materiel Related Costs (\$ in Millions)	0	3.2	4.2

**Defense Working Capital Fund Direct Appropriations for Non-Energy Supply: (including supplementals):**

Direct appropriations provided in FY 2007 through FY 2009 included in this budget submission are detailed in the following chart and narrative.

<b>DWCF Appropriation:</b> (\$ in millions)	FY 2007	FY 2008	FY 2009
Reutilization, Transfer and Disposal Costs	15.6	20.9	30.6
Defense Finance and Accounting Systems Costs	2.0	1.9	2.3
<b>Total Appropriations</b>	17.6	22.8	32.9
<b>Supplemental:</b>			
Inventory Recapitalization	156.4	0.0	0.0
<b>Total Supplemental</b>	156.4	0.0	0.0
<b>Total</b>	174.0	22.8	33.3

**Defense Reutilization and Marketing Service (DRMS)** - Success at the DRMS mission is to reutilize, transfer, or donate (to authorized DoD and non-DoD recipients) as much excess DoD materiel/property as possible, so that the DoD doesn't reinvest in property that still has a remaining useful life. The cost of this process is funded through a Service Level Bill (SLB) based on each Military Service and DLA's share of the reutilization cost. To bring Non-Energy costs more in line with commercial business practices, the SLB costs are being funded by a direct appropriation as a military unique cost. The SLB decreases in

FY 2007 and FY 2008 to return NOR gains due to higher sales. The FY 2009 SLB reflects normalized operations.

**DFAS Systems Costs** - To improve visibility to DFAS customers of the costs of DFAS systems, DFAS removed these costs from their rates beginning in FY 2004 and now assess these costs directly to the customer benefiting from them. The above request covers the increase in the DLA overall bill based on this DFAS billing change.

**Inventory Recapitalization** - The FY 2007 supplemental was provided to finance combat inventory. The DLA has financed an increase in inventory levels in support of the GWOT. Examples include uniforms/protective gear, body armor, chemical protection, tents, medical kits and field dressings, windshields, and other vehicle parts. As the GWOT continues, advancements in weapon systems and warfighter support technology have made some items initially purchased obsolete. In addition, GWOT mission changes are translating into a different mix of items being required versus when the contingency operations began, resulting in unsold inventory. The \$156.4 million supplemental offsets previous inventory investments.

## PERFORMANCE INDICATORS

The following are major measures that DLA uses to assess its financial performance:

### Net Operating Results (NOR) and Accumulated Operating Results (AOR):

The NOR is the difference between revenues and expenses and excludes non-recoverable items such as property disposal transfers, net acquisition cost changes, returns without credit and other changes. The NOR is a financial management tool that measures the effectiveness of cost recovery rates, costs and revenue. The AOR reflects the long term, multi-year results of previous NOR. Its measurement describes the accumulated affects of NOR and demonstrates the fiscal strength over a longer time period. AOR is projected to be at zero in FY 2010. The following tables show the Non-Energy NOR/AOR included in this budget submission.

(\$ in millions)	FY 2007	FY 2008	FY 2009
Revenue	19,384.4	19,874.8	18,864.0
Expenses	19,083.0	19,733.5	18,698.2
Cost of Goods Sold	16,458.3	15,993.2	15,212.2
Operations	2,624.7	3,740.3	3,486.0
Reutilization, Transfer and Disposal Costs	15.6	20.9	30.6
Defense Finance and Accounting Systems (DFAS) Costs	2.0	1.9	2.3
Cash Surcharge	-573.9	-56.4	-107.0
Capital Surcharge	-2.2	60.6	61.6
Inventory Surcharge	0.0	-15.0	-11.4
Net Operating Results	-257.1	153.3	141.9
Prior Year Accumulated Operating Results	-38.1	-295.2	-141.9
Ending Accumulated Operating Results	-295.2	-141.9	0.0

**Materiel Availability:**

Materiel availability is a comprehensive measure of materiel support to our customers. The following table displays the materiel availability actuals for FY 2007 and goals for FY 2008 and FY 2009.

<b>Materiel Availability</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Clothing & Textiles	89.3%	90.9%	91.5%
Medical	98.8%	98.7%	98.7%
Subsistence	99.9%	100.0%	100.0%
Construction & Equipment	78.7%	81.3%	81.3%
Aviation	83.9%	85.5%	85.8%
Land	81.6%	83.5%	85.0%
Maritime	85.7%	86.0%	87.0%

**WORKLOAD****Non-Energy: Gross Sales at Standard Unit Price**

Gross Sales at Standard Unit Price is the primary workload measure in the non-energy business. Sales are affected by customer demands (force structure, aging weapon systems and operating tempo). Operation Enduring Freedom/Operation Iraqi Freedom/Homeland Security sales are included in the amounts below. The following table displays non-energy gross sales for each year:

<b>(Dollars in Millions)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Non-Energy Gross Sales at Standard Unit Price	\$18,924.1	\$18,744.4	\$17,880.6

## UNIT COST

Unit cost resourcing provides the operating cost authority for items such as salaries, facilities maintenance and other administrative costs, as well as supplies and materiel for resale. Approved budget requirements and projected workload are used to develop a unit cost goal. This is applied to actual workload during the budget execution year to earn the approved cost authority. Unit costs less than \$1.00 are the result of selling inventory procured in previous fiscal years.

<b>Non-Energy</b>	FY 2007	FY 2008	FY 2009
Costs (\$ in Millions)	\$19,675.2	\$18,286.2	\$17,498.1
Gross Sales (\$ in Millions)	\$18,924.1	\$18,744.4	\$17,880.6
Unit Cost Goal (per \$ of Sales)	1.04	0.98	0.98

## Pricing

### Customer Price Change (CPC) and Cost Recovery Rate (CRR):

The CPC is the average change in price from one year to the next that the customer will encounter for the average non-energy item. The DLA's goal is to have a CPC of no greater than the DoD composite inflation factor. Changes in customer price are driven by factors such as: inflation, basic costs incurred to procure, store, and ship items to the customer; and prior year operating results.

The CRR is the amount added to the cost of an item to recover costs associated with purchasing and selling supplies to the customer. These costs include operating costs such as payroll, travel, training, depreciation, facilities maintenance, shipping, storage, accounting, and cataloging.

The table below displays the DoD approved CPCs and CRRS for FY 2007 and FY 2008 and those proposed for FY 2009, along with the DoD inflators:

Composite	FY 2007	FY 2008	FY 2009
CPC	2.3%	2.2%	1.9%
DoD Inflator	2.5%	1.9%	2.0%
CRR	14.4%	14.2%	14.0%

## INVENTORY

The following chart shows non-energy total inventory included in this budget:

	FY 2007	FY 2008	FY 2009
Beginning Inventory	12,940.6	12,254.2	12,396.4
Receipts	16,013.0	16,310.7	15,207.7
Sales	-16,528.1	-16,126.5	-15,345.0
Returns for Credit	70.0	133.5	132.9
Returns No Credit	541.7	397.5	381.4
Disposals	-327.7	-520.8	-392.0
Capitalization	210.0	0.0	0.0
Other	-665.3	-52.2	-54.4
Ending Inventory	12,254.2	12,396.4	12,327.0



## NET OUTLAYS

Pricing decisions and workload projections result in estimates for cash collections, disbursements, and net outlays. DLA Non-Energy has experienced an increase to cash in FY 2007, primarily due to cash surcharge added to the FY 2007 rates.

<b>Non-Energy (\$ in millions)</b>	FY 2007	FY 2008	FY 2009
Disbursements	18,642.2	19,327.0	18,584.9
Collections	19,060.7	19,774.0	18,885.3
Appropriations	17.6	22.8	32.9
Reutilization, Transfer And Disposal Costs	15.6	20.9	30.6
Defense Finance and Accounting Systems Costs	2.0	1.9	2.3
FY 2007 Supplemental	156.4	0.0	0.0
Net Outlays	-592.5	-469.8	-333.3

## PERSONNEL

The personnel numbers reflect BRAC increases in FY 2008 and FY 2009 in support of DLRs, Privatization, CIT and SS&D recommendations.

<b>Personnel</b>	FY 2007	FY 2008	FY 2009
<b>End Strength</b>			
Military	282	282	282
Civilian	10,639	12,531	12,859
Total	10,921	12,813	13,141
<b>FTEs</b>			
Military	282	282	282
Civilian	10,307	12,242	12,642
Total	10,589	12,524	12,924

## CAPITAL BUDGET

	FY 2007	FY 2008	FY 2009
Equipment (non-ADP)	0.6	1.3	1.5
Equipment (ADP/T)	3.7	13.0	7.8
Software	77.8	80.0	47.0
Minor Construction	2.3	3.4	2.5
Total	84.4	97.7	58.8

In FY 2007 the capital budget funds investments that exceed the \$100 thousand expense/investment criteria for the automated data processing equipment (ADPE), non-ADPE, and software development category and for the minor construction category. In FY 2008 and FY 2009 the capital budget threshold increased from \$100 thousand to \$250 thousand; which is reflected in these numbers.

The FY 2008 capital budget estimate of \$97.7 million reflects an increase over the FY 2007 requirements in the amount of \$13.3 million. This increase is primarily due to an SAP product upgrade to DLA's Enterprise Resource Planning system.

In FY 2009 capital budget estimate remains relatively constant in the non-ADPE and Minor Construction categories. Investments in the ADPE category are primarily for upgrades to the Defense Automated Addressing System Center infrastructure to enable better data exchange, storage, and security requirements. The Software category decreases as the SAP product upgrade is complete. DLA continues development of the Common Food Management System, the Integrated Data Environment, and replacement of the legacy procurement system in Enterprise Business System (EBS) with the SAP eProcurement module.

EBS is DLA's primary supply chain and financial business process system. The recently completed Business Systems Modernization (BSM) program is the foundation program that introduced DLA's core EBS. It includes DLA's core process areas such as order fulfillment, procurement, finance, technical and quality, planning and customer service. EBS will continue to be extended and enhanced with new capabilities, including enterprise operational accounting, energy supply chain management, and enterprise procurement. These capabilities continue the DLA transformation of supply chain management. EBS is also integrated with the Integrated Data Environment (IDE), the Distribution Standard System (DSS) and other DLA systems.

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Non-Energy Management Activity Group  
 Fiscal Year (FY) FY 2009 Budget Estimates  
 February 2008  
 FY 2007  
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,497.9	2,364.7	2,028.2	2,118.3	0.0	0.0	2,118.3	0.0	2,118.3
MEDICAL	270.6	4,063.6	4,134.5	4,326.6	0.0	0.0	4,326.6	0.0	4,326.6
SUBSISTENCE	44.7	4,034.9	4,022.9	3,868.5	0.0	0.0	3,868.5	0.0	3,868.5
Construction & Equipment	500.6	2,602.6	2,222.7	2,529.9	0.0	0.0	2,529.9	0.0	2,529.9
AVIATION	5,842.1	3,476.1	3,337.5	3,502.2	0.0	0.0	3,502.2	0.0	3,502.2
Land	1,134.0	1,555.3	1,436.6	1,420.2	0.0	0.0	1,420.2	0.0	1,420.2
Maritime	2,591.8	1,719.3	1,635.7	1,638.6	0.0	0.0	1,638.6	0.0	1,638.6
BOS	1.8	9.2	9.2	8.8	0.0	0.0	8.8	0.0	8.8
DLIS	0.0	0.0	0.0	150.3	0.0	0.0	150.3	0.0	150.3
DAASC	0.0	0.0	0.0	34.1	0.0	0.0	34.1	0.0	34.1
Management Headquarters	0.0	0.0	0.0	161.1	0.0	0.0	161.1	0.0	161.1
Enterprise Operations	0.0	0.0	0.0	163.5	0.0	0.0	163.5	0.0	163.5
Enterprise Information Tech.	0.0	0.0	0.0	216.3	0.0	0.0	216.3	0.0	216.3
Central Fund	0.0	0.0	0.0	40.1	0.0	0.0	40.1	0.0	40.1
<b>TOTAL Non-Energy Supply</b>	<b>11,883.5</b>	<b>19,825.7</b>	<b>18,827.3</b>	<b>20,178.5</b>	<b>0.0</b>	<b>0.0</b>	<b>20,178.5</b>	<b>0.0</b>	<b>20,178.5</b>

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Non-Energy Management Activity Group  
 Fiscal Year (FY) FY 2009 Budget Estimates  
 February 2008  
 FY 2008  
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,528.7	1,557.9	2,023.3	1,990.9	0.0	0.0	1,990.9	284.9	2,275.8
MEDICAL	261.5	4,212.2	4,217.1	4,175.7	0.0	0.0	4,175.7	228.3	4,404.0
SUBSISTENCE	54.1	3,270.3	3,270.6	3,180.5	0.0	0.0	3,180.5	1,335.6	4,516.1
Construction & Equipment	535.5	2,305.4	2,333.0	2,273.2	0.0	0.0	2,273.2	153.5	2,426.7
AVIATION	5,788.2	3,292.7	3,356.8	3,299.7	0.0	0.0	3,299.7	204.9	3,504.6
Land	1,167.0	1,733.2	1,732.9	1,662.3	0.0	0.0	1,662.3	0.0	1,662.3
Maritime	2,672.1	1,637.4	1,641.9	1,623.5	0.0	0.0	1,623.5	0.0	1,623.5
BOS	1.8	10.9	10.9	10.2	0.0	0.0	10.2	0.0	10.2
DLIS	0.0	0.0	0.0	191.6	0.0	0.0	191.6	0.0	191.6
DAASC	0.0	0.0	0.0	47.5	0.0	0.0	47.5	0.0	47.5
Management Headquarters	0.0	0.0	0.0	168.9	0.0	0.0	168.9	0.0	168.9
Enterprise Operations	0.0	0.0	0.0	245.0	0.0	0.0	245.0	0.0	245.0
Enterprise Information Tech.	0.0	0.0	0.0	92.9	0.0	0.0	92.9	0.0	92.9
Central Fund	0.0	0.0	0.0	347.4	0.0	0.0	347.4	0.0	347.4
<b>TOTAL Non-Energy Supply</b>	<b>12,008.9</b>	<b>18,020.0</b>	<b>18,586.5</b>	<b>19,309.3</b>	<b>0.0</b>	<b>0.0</b>	<b>19,309.3</b>	<b>2,207.2</b>	<b>21,516.5</b>

Supply Non-Energy Management Activity Group

DEFENSE LOGISTICS AGENCY

Defense-Wide Working Capital Fund

Fiscal Year (FY) FY 2009 Budget Estimates

February 2008

FY 2009

(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,539.4	1,816.2	1,849.2	1,850.1	0.0	0.0	1,850.1	245.6	2,095.7
MEDICAL	254.1	4,269.5	4,274.1	4,205.1	0.0	0.0	4,205.1	241.6	4,446.7
SUBSISTENCE	48.2	2,585.1	2,585.1	2,582.7	0.0	0.0	2,582.7	1,610.2	4,192.9
Construction & Equipment	525.7	2,142.6	2,176.2	2,120.4	0.0	0.0	2,120.4	161.6	2,282.0
AVIATION	5,678.6	3,406.3	3,385.8	3,341.4	0.0	0.0	3,341.4	219.0	3,560.4
Land	1,192.5	1,789.7	1,791.2	1,717.6	0.0	0.0	1,717.6	0.0	1,717.6
Maritime	2,683.3	1,648.9	1,650.9	1,652.5	0.0	0.0	1,652.5	0.0	1,652.5
BOS	1.8	11.1	11.1	10.5	0.0	0.0	10.5	0.0	10.5
DLIS	0.0	0.0	0.0	195.2	0.0	0.0	195.2	0.0	195.2
DAASC	0.0	0.0	0.0	49.1	0.0	0.0	49.1	0.0	49.1
Management Headquarters	0.0	0.0	0.0	173.8	0.0	0.0	173.8	0.0	173.8
Enterprise Operations	0.0	0.0	0.0	240.8	0.0	0.0	240.8	0.0	240.8
Enterprise Information Tech.	0.0	0.0	0.0	83.5	0.0	0.0	83.5	0.0	83.5
Central Fund	0.0	0.0	0.0	180.7	0.0	0.0	180.7	0.0	180.7
<b>TOTAL Non-Energy Supply</b>	<b>11,923.6</b>	<b>17,669.4</b>	<b>17,723.6</b>	<b>18,403.4</b>	<b>0.0</b>	<b>0.0</b>	<b>18,403.4</b>	<b>2,478.0</b>	<b>20,881.4</b>

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Total Non-Energy	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	12,940.6	398.6	6,803.4	5,738.6
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	-273.0	0.6	-560.3	286.7
b. Price Change Amount (Memo)	-235.8	-0.8	-108.2	-126.8
c. Inventory Reclassified and Repriced	12,431.8	398.4	6,134.9	5,898.5
<b>RECEIPTS AT COST</b>	16,013.0	270.4	15,742.6	0.0
<b>GROSS SALES AT COST</b>	-16,528.1	-291.7	-16,236.4	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	210.0	0.0	116.9	93.1
Transfer to other DLA Supply Chains	-557.6	0.0	-309.9	-247.7
Transfer from other DLA Supply Chains	566.2	0.0	176.1	390.1
b. Returns from Customers for Credit	70.0	0.0	70.0	0.0
c. Returns for Customers without Credit	541.7	1.4	239.1	301.2
d. Returns to Suppliers (-)	63.6	0.0	0.0	63.6
e. Transfers to Property Disposal (-)	-327.7	-5.8	0.0	-321.9
f. Issues/Receipts without Reimbursement (+/-)	-52.3	-7.7	-44.1	-0.5
g. Other ( List and Explain)	-176.4	5.7	-124.9	-57.2
h. Total Adjustments	337.5	-6.4	123.2	220.7
<b>INVENTORY - End of Period (EOP)</b>	12,254.2	370.7	5,764.3	6,119.2
<b>INVENTORY ON ORDER EOP</b>	5,090.7	137.2	4,953.5	0.0

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Total Non-Energy	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	12,254.2	370.7	5,764.3	6,119.2
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	12,254.2	370.7	5,764.3	6,119.2
<b>RECEIPTS AT COST</b>	16,310.7	354.7	15,956.0	0.0
<b>GROSS SALES AT COST</b>	-16,126.5	-345.2	-15,781.3	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	-5.0	0.0	-3.0	-2.0
Transfer from other DLA Supply Chains	8.0	0.0	4.0	4.0
b. Returns from Customers for Credit	133.5	0.0	133.5	0.0
c. Returns for Customers without Credit	397.5	1.1	60.0	336.4
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-520.8	-1.0	0.0	-519.8
f. Issues/Receipts without Reimbursement (+/-)	-12.1	0.0	-11.1	-1.0
g. Other ( List and Explain)	-43.1	7.2	-8.9	-41.4
h. Total Adjustments	-42.0	7.3	174.5	-223.8
<b>INVENTORY - End of Period (EOP)</b>	12,396.4	387.5	6,113.5	5,895.4
<b>INVENTORY ON ORDER EOP</b>	454.9	127.7	327.2	0.0

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Total Non-Energy	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	12,396.4	387.5	6,113.5	5,895.4
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	12,396.4	387.5	6,113.5	5,895.4
<b>RECEIPTS AT COST</b>	15,207.7	328.1	14,879.6	0.0
<b>GROSS SALES AT COST</b>	-15,345.0	-318.6	-15,026.4	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	-6.0	0.0	-3.0	-3.0
Transfer from other DLA Supply Chains	7.0	0.0	4.0	3.0
b. Returns from Customers for Credit	132.9	0.0	132.9	0.0
c. Returns for Customers without Credit	381.4	1.0	50.0	330.4
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-392.0	-1.0	0.0	-391.0
f. Issues/Receipts without Reimbursement (+/-)	-11.4	0.0	-10.4	-1.0
g. Other ( List and Explain)	-44.0	6.4	-14.3	-36.1
h. Total Adjustments	67.9	6.4	159.2	-97.7
<b>INVENTORY - End of Period (EOP)</b>	12,327.0	403.4	6,125.9	5,797.7
<b>INVENTORY ON ORDER EOP</b>	1,537.8	118.2	1,419.6	0.0



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Clothing and Textiles	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	1,832.4	1.9	1,694.4	136.1
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	-274.3	274.3
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1,832.4	1.9	1,420.1	410.4
<b>RECEIPTS AT COST</b>	1,649.8	0.0	1,649.8	0.0
<b>GROSS SALES AT COST</b>	-1,782.7	0.0	-1,782.7	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	7.2	0.0	7.2	0.0
c. Returns for Customers without Credit	110.6	0.0	110.6	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-38.6	0.0	0.0	-38.6
f. Issues/Receipts without Reimbursement (+/-)	-40.8	0.0	-40.8	0.0
g. Other ( List and Explain)	-238.1	0.0	-238.1	0.0
h. Total Adjustments	-199.7	0.0	-161.1	-38.6
<b>INVENTORY - End of Period (EOP)</b>	1,499.8	1.9	1,126.1	371.8
<b>INVENTORY ON ORDER EOP</b>	1,077.9	0.0	1,077.9	0.0

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Clothing and Textiles	Total	Mobilization	Peacetime	
			Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	1,499.8	1.9	1,126.1	371.8
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1,499.8	1.9	1,126.1	371.8
<b>RECEIPTS AT COST</b>	1,770.2	0.0	1,770.2	0.0
<b>GROSS SALES AT COST</b>	-1,788.2	0.0	-1,788.2	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	22.8	0.0	22.8	0.0
c. Returns for Customers without Credit	60.0	0.0	60.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-10.0	0.0	0.0	-10.0
f. Issues/Receipts without Reimbursement (+/-)	-9.0	0.0	-9.0	0.0
g. Other ( List and Explain)	-15.0	0.0	-15.0	0.0
h. Total Adjustments	48.8	0.0	58.8	-10.0
<b>INVENTORY - End of Period (EOP)</b>	1,530.6	1.9	1,166.9	361.8
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Clothing and Textiles	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	1,530.6	1.9	1,166.9	361.8
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1,530.6	1.9	1,166.9	361.8
<b>RECEIPTS AT COST</b>	1,620.3	0.0	1,620.3	0.0
<b>GROSS SALES AT COST</b>	-1,647.6	0.0	-1,647.6	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	21.3	0.0	21.3	0.0
c. Returns for Customers without Credit	50.0	0.0	50.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-10.0	0.0	0.0	-10.0
f. Issues/Receipts without Reimbursement (+/-)	-8.3	0.0	-8.3	0.0
g. Other ( List and Explain)	-15.0	0.0	-15.0	0.0
h. Total Adjustments	38.0	0.0	48.0	-10.0
<b>INVENTORY - End of Period (EOP)</b>	1,541.3	1.9	1,187.6	351.8
<b>INVENTORY ON ORDER EOP</b>	1,086.5	0.0	1,086.5	0.0

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Medical	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	253.8	6.1	195.2	52.5
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	253.8	6.1	195.2	52.5
<b>RECEIPTS AT COST</b>	3,951.4	0.0	3,951.4	0.0
<b>GROSS SALES AT COST</b>	-4,007.3	0.0	-4,007.3	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	0.1	0.0	0.1	0.0
c. Returns for Customers without Credit	107.2	0.0	0.0	107.2
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-41.6	0.0	0.0	-41.6
f. Issues/Receipts without Reimbursement (+/-)	-0.5	0.0	0.0	-0.5
g. Other ( List and Explain)	13.6	0.0	26.4	-12.8
h. Total Adjustments	78.8	0.0	26.5	52.3
<b>INVENTORY - End of Period (EOP)</b>	276.7	6.1	165.8	104.8
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Medical	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	276.7	6.1	165.8	104.8
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)		0.0	0.0	0.0
c. Inventory Reclassified and Repriced	276.7	6.1	165.8	104.8
<b>RECEIPTS AT COST</b>	4,000.5	0.0	4,000.5	0.0
<b>GROSS SALES AT COST</b>	-3,990.7	0.0	-3,990.7	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	1.0	0.0	1.0	0.0
c. Returns for Customers without Credit	75.0	0.0	0.0	75.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-41.0	0.0	0.0	-41.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	-46.7	7.2	-17.5	-36.4
h. Total Adjustments	-11.7	7.2	-16.5	-2.4
<b>INVENTORY - End of Period (EOP)</b>	274.8	13.3	159.1	102.4
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Medical	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	274.8	13.3	159.1	102.4
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	274.8	13.3	159.1	102.4
<b>RECEIPTS AT COST</b>	4,076.0	0.0	4,076.0	0.0
<b>GROSS SALES AT COST</b>	-4,071.0	0.0	-4,071.0	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	1.0	0.0	1.0	0.0
c. Returns for Customers without Credit	73.5	0.0	0.0	73.5
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-35.0	0.0	0.0	-35.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	-45.5	6.4	-15.8	-36.1
h. Total Adjustments	-6.0	6.4	-14.8	2.4
<b>INVENTORY - End of Period (EOP)</b>	273.8	19.7	149.3	104.8
<b>INVENTORY ON ORDER EOP</b>	0.1	0.0	0.1	0.0

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Subsistence	Total	Mobilization	Peacetime	
			Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	427.6	389.1	38.5	0.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	427.6	389.1	38.5	0.0
<b>RECEIPTS AT COST</b>	3,536.4	270.4	3,266.0	0.0
<b>GROSS SALES AT COST</b>	-3,551.5	-291.7	-3,259.8	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	0.0	0.0	0.0	0.0
c. Returns for Customers without Credit	1.4	1.4	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-5.8	-5.8	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	-7.7	-7.7	0.0	0.0
g. Other ( List and Explain)	5.7	5.7	0.0	0.0
h. Total Adjustments	-6.4	-6.4	0.0	0.0
<b>INVENTORY - End of Period (EOP)</b>	406.1	361.4	44.7	0.0
<b>INVENTORY ON ORDER EOP</b>	473.7	137.2	336.5	0.0

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Subsistence	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	406.1	361.4	44.7	0.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	406.1	361.4	44.7	0.0
<b>RECEIPTS AT COST</b>	3,060.1	354.7	2,705.4	0.0
<b>GROSS SALES AT COST</b>	-3,041.2	-345.2	-2,696.0	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	0.0	0.0	0.0	0.0
c. Returns for Customers without Credit	1.1	1.1	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-1.0	-1.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	0.0	0.0	0.0	0.0
h. Total Adjustments	0.1	0.1	0.0	0.0
<b>INVENTORY - End of Period (EOP)</b>	425.1	371.0	54.1	0.0
<b>INVENTORY ON ORDER EOP</b>	454.8	127.7	327.1	0.0



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Subsistence	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	425.1	371.0	54.1	0.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	425.1	371.0	54.1	0.0
<b>RECEIPTS AT COST</b>	2,397.7	328.1	2,069.6	0.0
<b>GROSS SALES AT COST</b>	-2,394.1	-318.6	-2,075.5	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	0.0	0.0	0.0	0.0
c. Returns for Customers without Credit	1.0	1.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-1.0	-1.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	0.0	0.0	0.0	0.0
h. Total Adjustments	0.0	0.0	0.0	0.0
<b>INVENTORY - End of Period (EOP)</b>	428.7	380.5	48.2	0.0
<b>INVENTORY ON ORDER EOP</b>	451.2	118.2	333.0	0.0

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Construction and Equipment	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	611.5	0.0	318.7	292.8
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	611.5	0.0	318.7	292.8
<b>RECEIPTS AT COST</b>	1,994.3	0.0	1,994.3	0.0
<b>GROSS SALES AT COST</b>	-2,059.7	0.0	-2,059.7	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	-117.9	0.0	-61.3	-56.6
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	4.1	0.0	4.1	0.0
c. Returns for Customers without Credit	9.0	0.0	0.0	9.0
d. Returns to Suppliers (-)	63.6	0.0	0.0	63.6
e. Transfers to Property Disposal (-)	-40.7	0.0	0.0	-40.7
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	36.4	0.0	80.8	-44.4
h. Total Adjustments	-45.5	0.0	23.6	-69.1
<b>INVENTORY - End of Period (EOP)</b>	500.6	0.0	276.9	223.7
<b>INVENTORY ON ORDER EOP</b>	755.0	0.0	755.0	0.0

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Construction and Equipment	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	500.6	0.0	276.9	223.7
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	500.6	0.0	276.9	223.7
<b>RECEIPTS AT COST</b>	2,125.1	0.0	2,125.1	0.0
<b>GROSS SALES AT COST</b>	-2,106.7	0.0	-2,106.7	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	10.5	0.0	10.5	0.0
c. Returns for Customers without Credit	21.0	0.0	0.0	21.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-15.0	0.0	0.0	-15.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	0.0	0.0	5.0	-5.0
h. Total Adjustments	16.5	0.0	15.5	1.0
<b>INVENTORY - End of Period (EOP)</b>	535.5	0.0	310.8	224.7
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Construction and Equipment	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	535.5	0.0	310.8	224.7
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	535.5	0.0	310.8	224.7
<b>RECEIPTS AT COST</b>	1,965.8	0.0	1,965.8	0.0
<b>GROSS SALES AT COST</b>	-1,987.1	0.0	-1,987.1	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	10.5	0.0	10.5	0.0
c. Returns for Customers without Credit	21.0	0.0	0.0	21.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-20.0	0.0	0.0	-20.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	0.0	0.0	0.0	0.0
h. Total Adjustments	11.5	0.0	10.5	1.0
<b>INVENTORY - End of Period (EOP)</b>	525.7	0.0	300.0	225.7
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Troop Support	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	3,125.3	397.1	2,246.8	481.4
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	-274.3	274.3
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	3,125.3	397.1	1,972.5	755.7
<b>RECEIPTS AT COST</b>	11,131.9	270.4	10,861.5	0.0
<b>GROSS SALES AT COST</b>	-11,401.2	-291.7	-11,109.5	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	-117.9	0.0	-61.3	-56.6
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	11.4	0.0	11.4	0.0
c. Returns for Customers without Credit	228.2	1.4	110.6	116.2
d. Returns to Suppliers (-)	63.6	0.0	0.0	63.6
e. Transfers to Property Disposal (-)	-126.7	-5.8	0.0	-120.9
f. Issues/Receipts without Reimbursement (+/-)	-49.0	-7.7	-40.8	-0.5
g. Other ( List and Explain)	-182.4	5.7	-130.9	-57.2
h. Total Adjustments	-172.8	-6.4	-111.0	-55.4
<b>INVENTORY - End of Period (EOP)</b>	2,683.2	369.4	1,613.5	700.3
<b>INVENTORY ON ORDER EOP</b>	2,306.6	137.2	2,169.4	0.0

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Troop Support	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	2,683.2	369.4	1,613.5	700.3
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	2,683.2	369.4	1,613.5	700.3
<b>RECEIPTS AT COST</b>	10,955.9	354.7	10,601.2	0.0
<b>GROSS SALES AT COST</b>	-10,926.8	-345.2	-10,581.6	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	34.3	0.0	34.3	0.0
c. Returns for Customers without Credit	157.1	1.1	60.0	96.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-67.0	-1.0	0.0	-66.0
f. Issues/Receipts without Reimbursement (+/-)	-9.0	0.0	-9.0	0.0
g. Other ( List and Explain)	-61.7	7.2	-27.5	-41.4
h. Total Adjustments	53.7	7.3	57.8	-11.4
<b>INVENTORY - End of Period (EOP)</b>	2,766.0	386.2	1,690.9	688.9
<b>INVENTORY ON ORDER EOP</b>	454.8	127.7	327.1	0.0

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Troop Support	Total	Mobilization	Peacetime	
			Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	2,766.0	386.2	1,690.9	688.9
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	2,766.0	386.2	1,690.9	688.9
<b>RECEIPTS AT COST</b>	10,059.8	328.1	9,731.7	0.0
<b>GROSS SALES AT COST</b>	-10,099.8	-318.6	-9,781.2	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	32.8	0.0	32.8	0.0
c. Returns for Customers without Credit	145.5	1.0	50.0	94.5
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-66.0	-1.0	0.0	-65.0
f. Issues/Receipts without Reimbursement (+/-)	-8.3	0.0	-8.3	0.0
g. Other ( List and Explain)	-60.5	6.4	-30.8	-36.1
h. Total Adjustments	43.5	6.4	43.7	-6.6
<b>INVENTORY - End of Period (EOP)</b>	2,769.5	402.1	1,685.1	682.3
<b>INVENTORY ON ORDER EOP</b>	1,537.7	118.2	1,419.5	0.0

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Aviation	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	5,749.0	0.9	2,539.5	3,208.6
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	-235.8	-0.8	-108.2	-126.8
c. Inventory Reclassified and Repriced	5,513.2	0.1	2,431.3	3,081.8
<b>RECEIPTS AT COST</b>	2,586.9	0.0	2,586.9	0.0
<b>GROSS SALES AT COST</b>	-2,694.1	0.0	-2,694.1	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	161.0	0.0	67.9	93.1
Transfer to other DLA Supply Chains	-439.7	0.0	-248.6	-191.1
Transfer from other DLA Supply Chains	564.2	0.0	174.1	390.1
b. Returns from Customers for Credit	21.1	0.0	21.1	0.0
c. Returns for Customers without Credit	245.4	0.0	128.5	116.9
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-113.8	0.0	0.0	-113.8
f. Issues/Receipts without Reimbursement (+/-)	-2.0	0.0	-2.0	0.0
g. Other ( List and Explain)	0.0	0.0	0.0	0.0
h. Total Adjustments	436.2	0.0	141.0	295.2
<b>INVENTORY - End of Period (EOP)</b>	5,842.2	0.1	2,465.1	3,377.0
<b>INVENTORY ON ORDER EOP</b>	1,689.2	0.0	1,689.2	0.0



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Aviation	Total	Mobilization	Peacetime	
			Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	5,842.2	0.1	2,465.1	3,377.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	5,842.2	0.1	2,465.1	3,377.0
<b>RECEIPTS AT COST</b>	2,716.9	0.0	2,716.9	0.0
<b>GROSS SALES AT COST</b>	-2,570.8	0.0	-2,570.8	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	-5.0	0.0	-3.0	-2.0
Transfer from other DLA Supply Chains	8.0	0.0	4.0	4.0
b. Returns from Customers for Credit	43.0	0.0	43.0	0.0
c. Returns for Customers without Credit	145.0	0.0	0.0	145.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-389.0	0.0	0.0	-389.0
f. Issues/Receipts without Reimbursement (+/-)	-2.0	0.0	-1.0	-1.0
g. Other ( List and Explain)	0.0	0.0	0.0	0.0
h. Total Adjustments	-200.0	0.0	43.0	-243.0
<b>INVENTORY - End of Period (EOP)</b>	5,788.3	0.1	2,654.2	3,134.0
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Aviation	Total	Mobilization	Peacetime	
			Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	5,788.3	0.1	2,654.2	3,134.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	5,788.3	0.1	2,654.2	3,134.0
<b>RECEIPTS AT COST</b>	2,560.9	0.0	2,560.9	0.0
<b>GROSS SALES AT COST</b>	-2,565.5	0.0	-2,565.5	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	-6.0	0.0	-3.0	-3.0
Transfer from other DLA Supply Chains	7.0	0.0	4.0	3.0
b. Returns from Customers for Credit	43.0	0.0	43.0	0.0
c. Returns for Customers without Credit	145.0	0.0	0.0	145.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-292.0	0.0	0.0	-292.0
f. Issues/Receipts without Reimbursement (+/-)	-2.0	0.0	-1.0	-1.0
g. Other ( List and Explain)	0.0	0.0	0.0	0.0
h. Total Adjustments	-105.0	0.0	43.0	-148.0
<b>INVENTORY - End of Period (EOP)</b>	5,678.7	0.1	2,692.6	2,986.0
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Land	Total	Mobilization	Peacetime	
			Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	1,307.7	0.1	813.6	494.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	-170.0	1.0	-183.4	12.4
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1,137.7	1.1	630.2	506.4
<b>RECEIPTS AT COST</b>	1,088.4	0.0	1,088.4	0.0
<b>GROSS SALES AT COST</b>	-1,171.1	0.0	-1,171.1	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	49.0	0.0	49.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	2.0	0.0	2.0	0.0
b. Returns from Customers for Credit	18.4	0.0	18.4	0.0
c. Returns for Customers without Credit	31.4	0.0	0.0	31.4
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-20.2	0.0	0.0	-20.2
f. Issues/Receipts without Reimbursement (+/-)	-0.7	0.0	-0.7	0.0
g. Other ( List and Explain)	0.2	0.0	0.2	0.0
h. Total Adjustments	80.1	0.0	68.9	11.2
<b>INVENTORY - End of Period (EOP)</b>	1,135.1	1.1	616.4	517.6
<b>INVENTORY ON ORDER EOP</b>	511.7	0.0	511.7	0.0

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Land	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	1,135.1	1.1	616.4	517.6
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1,135.1	1.1	616.4	517.6
<b>RECEIPTS AT COST</b>	1,366.5	0.0	1,366.5	0.0
<b>GROSS SALES AT COST</b>	-1,388.4	0.0	-1,388.4	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	21.9	0.0	21.9	0.0
c. Returns for Customers without Credit	29.1	0.0	0.0	29.1
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-8.3	0.0	0.0	-8.3
f. Issues/Receipts without Reimbursement (+/-)	-0.5	0.0	-0.5	0.0
g. Other ( List and Explain)	12.7	0.0	12.7	0.0
h. Total Adjustments	54.9	0.0	34.1	20.8
<b>INVENTORY - End of Period (EOP)</b>	1,168.1	1.1	628.6	538.4
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Land	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	1,168.1	1.1	628.6	538.4
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1,168.1	1.1	628.6	538.4
<b>RECEIPTS AT COST</b>	1,392.2	0.0	1,392.2	0.0
<b>GROSS SALES AT COST</b>	-1,414.4	0.0	-1,414.4	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	22.3	0.0	22.3	0.0
c. Returns for Customers without Credit	24.6	0.0	0.0	24.6
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-9.3	0.0	0.0	-9.3
f. Issues/Receipts without Reimbursement (+/-)	-0.5	0.0	-0.5	0.0
g. Other ( List and Explain)	10.6	0.0	10.6	0.0
h. Total Adjustments	47.7	0.0	32.4	15.3
<b>INVENTORY - End of Period (EOP)</b>	1,193.6	1.1	638.8	553.7
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Maritime	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	2,756.7	0.5	1,201.6	1,554.6
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	-103.0	-0.4	-102.6	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	2,653.7	0.1	1,099.0	1,554.6
<b>RECEIPTS AT COST</b>	1,197.3	0.0	1,197.3	0.0
<b>GROSS SALES AT COST</b>	-1,252.5	0.0	-1,252.5	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	19.1	0.0	19.1	0.0
c. Returns for Customers without Credit	36.7	0.0	0.0	36.7
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-67.0	0.0	0.0	-67.0
f. Issues/Receipts without Reimbursement (+/-)	-0.6	0.0	-0.6	0.0
g. Other ( List and Explain)	5.2	0.0	5.2	0.0
h. Total Adjustments	-6.6	0.0	23.7	-30.3
<b>INVENTORY - End of Period (EOP)</b>	2,591.9	0.1	1,067.5	1,524.3
<b>INVENTORY ON ORDER EOP</b>	583.2	0.0	583.2	0.0

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Maritime	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	2,591.9	0.1	1,067.5	1,524.3
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	2,591.9	0.1	1,067.5	1,524.3
<b>RECEIPTS AT COST</b>	1,261.1	0.0	1,261.1	0.0
<b>GROSS SALES AT COST</b>	-1,229.7	0.0	-1,229.7	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	34.3	0.0	34.3	0.0
c. Returns for Customers without Credit	66.3	0.0	0.0	66.3
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-56.5	0.0	0.0	-56.5
f. Issues/Receipts without Reimbursement (+/-)	-0.6	0.0	-0.6	0.0
g. Other ( List and Explain)	5.4	0.0	5.4	0.0
h. Total Adjustments	48.9	0.0	39.1	9.8
<b>INVENTORY - End of Period (EOP)</b>	2,672.2	0.1	1,138.0	1,534.1
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Maritime	Total	Mobilization	Peacetime	
			Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	2,672.2	0.1	1,138.0	1,534.1
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	2,672.2	0.1	1,138.0	1,534.1
<b>RECEIPTS AT COST</b>	1,184.2	0.0	1,184.2	0.0
<b>GROSS SALES AT COST</b>	-1,254.2	0.0	-1,254.2	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	34.8	0.0	34.8	0.0
c. Returns for Customers without Credit	66.3	0.0	0.0	66.3
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-24.7	0.0	0.0	-24.7
f. Issues/Receipts without Reimbursement (+/-)	-0.6	0.0	-0.6	0.0
g. Other ( List and Explain)	5.4	0.0	5.4	0.0
h. Total Adjustments	81.2	0.0	39.6	41.6
<b>INVENTORY - End of Period (EOP)</b>	2,683.4	0.1	1,107.6	1,575.7
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0



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Weapon Systems	Total	Mobilization	Peacetime	
			Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	9,813.400	1.500	4,554.700	5,257.200
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	-273.000	0.600	-286.000	12.400
b. Price Change Amount (Memo)	-235.800	-0.800	-108.200	-126.800
c. Inventory Reclassified and Repriced	9,304.600	1.300	4,160.500	5,142.800
<b>RECEIPTS AT COST</b>	4,872.600	0.000	4,872.600	0.000
<b>GROSS SALES AT COST</b>	-5,117.700	0.000	-5,117.700	0.000
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	210.000	0.000	116.900	93.100
Transfer to other DLA Supply Chains	-439.700	0.000	-248.600	-191.100
Transfer from other DLA Supply Chains	566.200	0.000	176.100	390.100
b. Returns from Customers for Credit	58.600	0.000	58.600	0.000
c. Returns for Customers without Credit	313.500	0.000	128.500	185.000
d. Returns to Suppliers (-)	0.000	0.000	0.000	0.000
e. Transfers to Property Disposal (-)	-201.000	0.000	0.000	-201.000
f. Issues/Receipts without Reimbursement (+/-)	-3.300	0.000	-3.300	0.000
g. Other ( List and Explain)	5.400	0.000	5.400	0.000
h. Total Adjustments	509.700	0.000	233.600	276.100
<b>INVENTORY - End of Period (EOP)</b>	9,569.200	1.300	4,149.000	5,418.900
<b>INVENTORY ON ORDER EOP</b>	2,784.100	0.000	2,784.100	0.000

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Weapon Systems	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	9,569.200	1.300	4,149.000	5,418.900
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.000	0.000	0.000	0.000
b. Price Change Amount (Memo)	0.000	0.000	0.000	0.000
c. Inventory Reclassified and Repriced	9,569.200	1.300	4,149.000	5,418.900
<b>RECEIPTS AT COST</b>	5,344.500	0.000	5,344.500	0.000
<b>GROSS SALES AT COST</b>	-5,188.900	0.000	-5,188.900	0.000
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.000	0.000	0.000	0.000
Transfer to other DLA Supply Chains	-5.000	0.000	-3.000	-2.000
Transfer from other DLA Supply Chains	8.000	0.000	4.000	4.000
b. Returns from Customers for Credit	99.200	0.000	99.200	0.000
c. Returns for Customers without Credit	240.400	0.000	0.000	240.400
d. Returns to Suppliers (-)	0.000	0.000	0.000	0.000
e. Transfers to Property Disposal (-)	-453.800	0.000	0.000	-453.800
f. Issues/Receipts without Reimbursement (+/-)	-3.100	0.000	-2.100	-1.000
g. Other ( List and Explain)	18.100	0.000	18.100	0.000
h. Total Adjustments	-96.200	0.000	116.200	-212.400
<b>INVENTORY - End of Period (EOP)</b>	9,628.600	1.300	4,420.800	5,206.500
<b>INVENTORY ON ORDER EOP</b>	0.067	0.000	0.067	0.000

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Weapon Systems	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	9,628.600	1.300	4,420.800	5,206.500
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.000	0.000	0.000	0.000
b. Price Change Amount (Memo)	0.000	0.000	0.000	0.000
c. Inventory Reclassified and Repriced	9,628.600	1.300	4,420.800	5,206.500
<b>RECEIPTS AT COST</b>	5,137.300	0.000	5,137.300	0.000
<b>GROSS SALES AT COST</b>	-5,234.100	0.000	-5,234.100	0.000
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.000	0.000	0.000	0.000
Transfer to other DLA Supply Chains	-6.000	0.000	-3.000	-3.000
Transfer from other DLA Supply Chains	7.000	0.000	4.000	3.000
b. Returns from Customers for Credit	100.100	0.000	100.100	0.000
c. Returns for Customers without Credit	235.900	0.000	0.000	235.900
d. Returns to Suppliers (-)	0.000	0.000	0.000	0.000
e. Transfers to Property Disposal (-)	-326.000	0.000	0.000	-326.000
f. Issues/Receipts without Reimbursement (+/-)	-3.100	0.000	-2.100	-1.000
g. Other ( List and Explain)	16.000	0.000	16.000	0.000
h. Total Adjustments	23.900	0.000	115.000	-91.100
<b>INVENTORY - End of Period (EOP)</b>	9,555.700	1.300	4,439.000	5,115.400
<b>INVENTORY ON ORDER EOP</b>	0.035	0.000	0.035	0.000

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BOS	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	1.9	0.0	1.9	0.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1.9	0.0	1.9	0.0
<b>RECEIPTS AT COST</b>	8.5	0.0	8.5	0.0
<b>GROSS SALES AT COST</b>	-9.2	0.0	-9.2	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	0.0	0.0	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	0.6	0.0	0.6	0.0
h. Total Adjustments	0.6	0.0	0.6	0.0
<b>INVENTORY - End of Period (EOP)</b>	1.8	0.0	1.8	0.0
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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BOS	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	1.8	0.0	1.8	0.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1.8	0.0	1.8	0.0
RECEIPTS AT COST	10.3	0.0	10.3	0.0
GROSS SALES AT COST	-10.8	0.0	-10.8	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	0.0	0.0	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	0.5	0.0	0.5	0.0
h. Total Adjustments	0.5	0.0	0.5	0.0
INVENTORY - End of Period (EOP)	1.8	0.0	1.8	0.0
INVENTORY ON ORDER EOP	0.0	0.0	0.0	0.0

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BOS	Total	Peacetime		
		Mobilization	Operating	Other
<b>INVENTORY - Beginning of Period (BOP)</b>	1.8	0.0	1.8	0.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	1.8	0.0	1.8	0.0
<b>RECEIPTS AT COST</b>	10.6	0.0	10.6	0.0
<b>GROSS SALES AT COST</b>	-11.1	0.0	-11.1	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA Supply Chains	0.0	0.0	0.0	0.0
Transfer from other DLA Supply Chains	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	0.0	0.0	0.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other ( List and Explain)	0.5	0.0	0.5	0.0
h. Total Adjustments	0.5	0.0	0.5	0.0
<b>INVENTORY - End of Period (EOP)</b>	1.8	0.0	1.8	0.0
<b>INVENTORY ON ORDER EOP</b>	0.0	0.0	0.0	0.0

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Supply Non-Energy Total	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	15,755.1	16,035.4	15,530.5
2. Less: Materiel Inflation Adjustment	346.6	384.9	304.6
3. Revised Net Sales @ Cost	15,408.5	15,650.6	15,225.9
4. Surcharge (\$)	2,268.7	2,270.0	2,182.0
5. Change to Customers			
a. Previous Year's Surcharge (%)	14.4%	14.4%	14.2%
b. This Year's Surcharge (\$) divided by line 3 above	14.4%	14.2%	14.0%
c. Percent Change to Customer	2.3%	2.2%	1.9%

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Troop Support Summary	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	10,639.7	10,667.5	10,228.8
2. Less: Materiel Inflation Adjustment	234.1	256.0	200.6
3. Revised Net Sales @ Cost	10,405.6	10,411.5	10,028.2
4. Surcharge (\$)	907.4	726.0	655.8
5. Change to Customers			
a. Previous Year's Surcharge (%)	7.9%	8.5%	6.8%
b. This Year's Surcharge (\$) divided by line 3 above	8.5%	6.8%	6.4%
c. Percent Change to Customer	2.9%	0.8%	1.6%



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Clothing and Textiles	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	1,951.0	1,884.5	1,691.1
2. Less: Materiel Inflation Adjustment	42.9	45.2	33.2
3. Revised Net Sales @ Cost	1,908.1	1,839.2	1,657.9
4. Surcharge (\$)	197.1	183.5	158.1
5. Change to Customers			
a. Previous Year's Surcharge (%)	9.0%	10.1%	9.7%
b. This Year's Surcharge (\$) divided by line 3 above	10.1%	9.7%	9.3%
c. Percent Change to Customer	3.3%	2.1%	1.6%

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Medical	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	3,776.1	4,030.1	4,122.1
2. Less: Materiel Inflation Adjustment	83.1	96.7	80.8
3. Revised Net Sales @ Cost	3,693.0	3,933.4	4,041.3
4. Surcharge (\$)	184.4	158.5	152.0
5. Change to Customers			
a. Previous Year's Surcharge (%)	4.6%	4.9%	3.9%
b. This Year's Surcharge (\$) divided by line 3 above	4.9%	3.9%	3.7%
c. Percent Change to Customer	2.5%	1.5%	1.8%

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Subsistence	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	2,649.6	2,489.2	2,421.1
2. Less: Materiel Inflation Adjustment	58.3	59.7	47.5
3. Revised Net Sales @ Cost	2,591.3	2,429.5	2,373.6
4. Surcharge (\$)	290.1	179.2	164.0
5. Change to Customers			
a. Previous Year's Surcharge (%)	10.7%	10.9%	7.2%
b. This Year's Surcharge (\$) divided by line 3 above	10.9%	7.2%	6.8%
c. Percent Change to Customer	2.5%	-1.0%	1.6%

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Construction & Equipment	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	2,263.0	2,263.7	1,994.5
2. Less: Materiel Inflation Adjustment	49.8	54.3	39.1
3. Revised Net Sales @ Cost	2,213.2	2,209.4	1,955.4
4. Surcharge (\$)	235.8	204.9	181.7
5. Change to Customers			
a. Previous Year's Surcharge (%)	9.2%	10.4%	9.1%
b. This Year's Surcharge (\$) divided by line 3 above	10.4%	9.1%	9.1%
c. Percent Change to Customer	3.4%	1.2%	2.1%

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Weapon Systems Summary	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	5,115.4	5,367.9	5,301.7
2. Less: Materiel Inflation Adjustment	112.5	128.8	104.0
3. Revised Net Sales @ Cost	5,002.9	5,239.1	5,197.7
4. Surcharge (\$)	1,361.3	1,544.0	1,526.2
5. Change to Customers			
a. Previous Year's Surcharge (%)	25.6%	26.6%	28.8%
b. This Year's Surcharge (\$) divided by line 3 above	26.6%	28.8%	28.8%
c. Percent Change to Customer	3.1%	4.2%	2.0%

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Aviation	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	2,600.4	2,609.2	2,605.0
2. Less: Materiel Inflation Adjustment	57.2	62.6	51.1
3. Revised Net Sales @ Cost	2,543.2	2,546.6	2,553.9
4. Surcharge (\$)	712.5	755.3	780.9
5. Change to Customers			
a. Previous Year's Surcharge (%)	25.2%	27.4%	28.9%
b. This Year's Surcharge (\$) divided by line 3 above	27.4%	28.9%	30.0%
c. Percent Change to Customer	4.0%	3.7%	2.8%

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**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**WHOLESALE ONLY - CUSTOMER PRICE CHANGE**

Land	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	1,209.1	1,402.5	1,434.7
2. Less: Materiel Inflation Adjustment	26.6	33.7	28.1
3. Revised Net Sales @ Cost	1,182.5	1,368.9	1,406.6
4. Surcharge (\$)	269.4	353.9	356.4
5. Change to Customers			
a. Previous Year's Surcharge (%)	22.8%	22.3%	25.2%
b. This Year's Surcharge (\$) divided by line 3 above	22.3%	25.2%	24.8%
c. Percent Change to Customer	1.8%	4.9%	1.7%

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**WHOLESALE ONLY - CUSTOMER PRICE CHANGE**

Maritime	FY 2007	FY 2008	FY 2009
1. Net Sales at Cost	1,305.9	1,356.2	1,262.0
2. Less: Materiel Inflation Adjustment	28.7	32.5	24.8
3. Revised Net Sales @ Cost	1,277.2	1,323.6	1,237.2
4. Surcharge (\$)	379.4	434.8	388.9
5. Change to Customers			
a. Previous Year's Surcharge (%)	28.9%	29.1%	32.1%
b. This Year's Surcharge (\$)	29.1%	32.1%	30.8%
c. Percent Change to Customer	2.4%	4.8%	1.0%



**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Supply Non-Energy**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	398.6	389.1	9.5
2. Price Change	(0.8)	-	(0.8)
3. Reclassification	0.6	-	0.6
4. Inventory Changes			
a. Receipts @ cost	270.4	270.4	-
(1). Purchases	269.0	269.0	-
(2). Returns from customers	1.4	1.4	-
b. Issues @ cost	(291.7)	(291.7)	-
(1). Sales	(285.9)	(285.9)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	(5.8)	(5.8)	-
c. Adjustments @ cost	(6.3)	(6.3)	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	5.8	5.8	-
(3.) Other	(12.1)	(12.1)	-
5. Inventory EOP	370.7	361.4	9.3
<b>WRM STOCKPILE COSTS</b>			
1. Storage	17.3	4.6	12.7
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	17.3	4.6	12.7
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	269.0	269.0	-
a. Additional WRM	-	-	-
b. Replen. WRM	269.0	269.0	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	269.0	269.0	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Troop Support**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	397.1	389.1	8.0
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	270.4	270.4	-
(1). Purchases	269.0	269.0	-
(2). Returns from customers	1.4	1.4	-
b. Issues @ cost	(291.7)	(291.7)	-
(1). Sales	(285.9)	(285.9)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	(5.8)	(5.8)	-
c. Adjustments @ cost	(6.3)	(6.3)	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	5.8	5.8	-
(3.) Other	(12.1)	(12.1)	-
5. Inventory EOP	369.5	361.5	8.0
<b>WRM STOCKPILE COSTS</b>			
1. Storage	14.1	4.6	9.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	14.1	4.6	9.5
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	269.0	269.0	-
a. Additional WRM	-	-	-
b. Replen. WRM	269.0	269.0	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	269.0	269.0	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Weapon System**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.5	-	1.5
2. Price Change	(0.8)	-	(0.8)
3. Reclassification	0.6	-	0.6
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.3	-	1.3
WRM STOCKPILE COSTS			
1. Storage	3.2	-	3.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	3.2	-	3.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Clothing & Textiles**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.9	-	1.9
2. Price Change	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.9	-	1.9
WRM STOCKPILE COSTS			
1. Storage	7.9	-	7.9
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	7.9	-	7.9
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Medical**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	6.1	-	6.1
2. Price Change	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	6.1	-	6.1
WRM STOCKPILE COSTS			
1. Storage	1.6	-	1.6
2. Management	-	-	
3. Maintenance/Other	-	-	
Total Cost	1.6	-	1.6
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Subsistence**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	389.1	389.1	0.0
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	270.4	270.4	0.0
(1). Purchases	269.0	269.0	0.0
(2). Returns from customers	1.4	1.4	0.0
b. Issues @ cost	-291.7	-291.7	0.0
(1). Sales	-285.9	-285.9	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	-5.8	-5.8	0.0
c. Adjustments @ cost	-6.3	-6.3	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	5.8	5.8	0.0
(3.) Other	-12.1	-12.1	0.0
5. Inventory EOP	361.5	361.5	0.0
<b>WRM STOCKPILE COSTS</b>			
1. Storage	4.6	4.6	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	4.6	4.6	0.0
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	269.0	269.0	-
a. Additional WRM	-	-	-
b. Replen. WRM	269.0	269.0	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	269.0	269.0	0.0

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Construction & Equipment**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	-	-	-
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	-	-	-
<b>WRM STOCKPILE COSTS</b>			
1. Storage	-	-	-
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	-	-	-
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Aviation**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	0.9	-	0.9
2. Price Change (Memo)	(0.8)	-	(0.8)
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	0.1	-	0.1
<b>WRM STOCKPILE COSTS</b>			
1. Storage	0.2	-	0.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.2	-	0.2
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-



**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Land**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	0.1	-	0.1
2. Price Change	-	-	-
3. Reclassification	1.0		1.0
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.1	-	1.1
WRM STOCKPILE COSTS			
1. Storage	-	-	-
2. Management	-		-
3. Maintenance/Other	-		-
Total Cost	-		-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Maritime**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2007**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	0.5	-	0.5
2. Price Change	-	-	-
3. Reclassification	(0.4)		(0.4)
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	0.1	-	0.1
<b>WRM STOCKPILE COSTS</b>			
1. Storage	3.0	-	3.0
2. Management	-		-
3. Maintenance/Other	-		-
Total Cost	3.0		3.0
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		-
d. Assemble/Disassemble	-		-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Supply Non-Energy**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	370.7	361.4	9.3
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	355.8	355.8	-
(1). Purchases	354.7	354.7	-
(2). Returns from customers	1.1	1.1	-
b. Issues @ cost	(346.2)	(346.2)	-
(1). Sales	(345.2)	(345.2)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	(1.0)	(1.0)	-
c. Adjustments @ cost	7.2	-	7.2
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	7.2	-	7.2
5. Inventory EOP	387.5	371.0	16.5
<b>WRM STOCKPILE COSTS</b>			
1. Storage	12.9	4.1	8.7
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	12.9	4.1	8.7
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	354.7	354.7	-
a. Additional WRM	-	-	-
b. Replen. WRM	354.7	354.7	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	354.7	354.7	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Troop Support**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	369.4	361.4	8.0
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	355.8	355.8	-
(1). Purchases	354.7	354.7	-
(2). Returns from customers	1.1	1.1	-
b. Issues @ cost	(346.2)	(346.2)	-
(1). Sales	(345.2)	(345.2)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	(1.0)	(1.0)	-
c. Adjustments @ cost	7.2	-	7.2
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	7.2	-	7.2
5. Inventory EOP	386.2	371.0	15.2
<b>WRM STOCKPILE COSTS</b>			
1. Storage	12.7	4.1	8.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	12.7	4.1	8.5
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	354.7	354.7	-
a. Additional WRM	-	-	-
b. Replen. WRM	354.7	354.7	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	354.7	354.7	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Weapon System**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.3	-	1.3
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.3	-	1.3
WRM STOCKPILE COSTS			
1. Storage	0.2	-	0.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.2	-	0.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Clothing & Textiles**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.9	-	1.9
2. Price Change	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.9	-	1.9
WRM STOCKPILE COSTS			
1. Storage	7.1		7.1
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	7.1	-	7.1
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Medical**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	6.1	-	6.1
2. Price Change	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	7.2	-	7.2
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	7.2	-	7.2
5. Inventory EOP	13.3	-	13.3
WRM STOCKPILE COSTS			
1. Storage	1.4	-	1.4
2. Management	-	-	
3. Maintenance/Other	-	-	
Total Cost	1.4	-	1.4
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Subsistence**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	361.4	361.4	0.0
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	355.8	355.8	0.0
(1). Purchases	354.7	354.7	0.0
(2). Returns from customers	1.1	1.1	0.0
b. Issues @ cost	-346.2	-346.2	0.0
(1). Sales	-345.2	-345.2	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	-1.0	-1.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3.) Other	0.0		0.0
5. Inventory EOP	371.0	371.0	0.0
<b>WRM STOCKPILE COSTS</b>			
1. Storage	4.1	4.1	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	4.1	4.1	0.0
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	354.7	354.7	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	354.7	354.7	0.0
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0	0.0	
Total Request	354.7	354.7	0.0



**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Construction & Equipment**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	-	-	-
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	-	-	-
<b>WRM STOCKPILE COSTS</b>			
1. Storage	-	-	-
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	-	-	-
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Aviation**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	0.1	-	0.1
2. Price Change			
2. Price Change (Memo)	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	0.1	-	0.1
WRM STOCKPILE COSTS			
1. Storage	0.2	-	0.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.2	-	0.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Land**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.1		1.1
2. Price Change	-	-	-
3. Reclassification	-		-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.1	-	1.1
WRM STOCKPILE COSTS			
1. Storage	-		-
2. Management	-		-
3. Maintenance/Other	-		-
Total Cost	-		-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Maritime**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2008**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	0.1		0.1
2. Price Change	-	-	-
3. Reclassification	-		-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	0.1	-	0.1
WRM STOCKPILE COSTS			
1. Storage	-		-
2. Management	-		-
3. Maintenance/Other	-		-
Total Cost	-		-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Supply Non-Energy**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	387.5	371.0	16.5
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	329.1	329.1	-
(1). Purchases	328.1	328.1	-
(2). Returns from customers	1.0	1.0	-
b. Issues @ cost	(319.6)	(319.6)	-
(1). Sales	(318.6)	(318.6)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	(1.0)	(1.0)	-
c. Adjustments @ cost	6.4	-	6.4
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	6.4	-	6.4
5. Inventory EOP	403.4	380.5	22.9
<b>WRM STOCKPILE COSTS</b>			
1. Storage	10.6	4.0	6.6
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	10.6	4.0	6.6
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	328.1	328.1	-
a. Additional WRM	-	-	-
b. Replen. WRM	328.1	328.1	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	328.1	328.1	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Troop Support**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	386.2	371.0	15.2
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	329.1	329.1	-
(1). Purchases	328.1	328.1	-
(2). Returns from customers	1.0	1.0	-
b. Issues @ cost	(319.6)	(319.6)	-
(1). Sales	(318.6)	(318.6)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	(1.0)	(1.0)	-
c. Adjustments @ cost	6.4	-	6.4
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	6.4	-	6.4
5. Inventory EOP	402.1	380.5	21.6
<b>WRM STOCKPILE COSTS</b>			
1. Storage	10.4	4.0	6.4
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	10.4	4.0	6.4
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	328.1	328.1	-
a. Additional WRM	-	-	-
b. Replen. WRM	328.1	328.1	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	328.1	328.1	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Weapon System**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.3	-	1.3
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.3	-	1.3
WRM STOCKPILE COSTS			
1. Storage	0.2	-	0.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.2	-	0.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Clothing & Textiles**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.9	-	1.9
2. Price Change	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.9	-	1.9
WRM STOCKPILE COSTS			
1. Storage	5.2	-	5.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	5.2	-	5.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-



**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Medical**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	13.3	-	13.3
2. Price Change	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	6.4	-	6.4
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	6.4	-	6.4
5. Inventory EOP	19.7	-	19.7
WRM STOCKPILE COSTS			
1. Storage	1.2	-	1.2
2. Management	-	-	
3. Maintenance/Other	-	-	
Total Cost	1.2	-	1.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Subsistence**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	371.0	371.0	0.0
2. Price Change	0.0		0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ cost	329.1	329.1	0.0
(1). Purchases	328.1	328.1	0.0
(2). Returns from customers	1.0	1.0	0.0
b. Issues @ cost	-319.6	-319.6	0.0
(1). Sales	-318.6	-318.6	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	-1.0	-1.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3.) Other	0.0	0.0	0.0
5. Inventory EOP	380.5	380.5	0.0
WRM STOCKPILE COSTS			
1. Storage	4.0	4.0	0.0
2. Management	0.0	0.0	0.0
3. Maintenance/Other	0.0	0.0	0.0
Total Cost	4.0	4.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	328.1	328.1	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	328.1	328.1	0.0
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0	0.0	
Total Request	328.1	328.1	0.0

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Construction & Equipment**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	-	-	-
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	-	-	-
<b>WRM STOCKPILE COSTS</b>			
1. Storage	-	-	-
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	-	-	-
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Aviation**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	0.1	-	0.1
2. Price Change			
2. Price Change (Memo)	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	0.1	-	0.1
WRM STOCKPILE COSTS			
1. Storage	0.2	-	0.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.2	-	0.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Land**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1.1		1.1
2. Price Change	-	-	-
3. Reclassification	-		-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1.1	-	1.1
WRM STOCKPILE COSTS			
1. Storage	-	-	-
2. Management	-		-
3. Maintenance/Other	-		-
Total Cost	-		-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Non-Energy Supply Management Activity Group: Maritime**  
**Fiscal Year (FY) 2009 President's Budget Submission**  
**February 2008**  
**War Reserve Material Stockpile**  
**FY 2009**  
**(\$ in millions)**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	0.1	-	0.1
2. Price Change	-	-	-
3. Reclassification	-		-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	0.1	-	0.1
WRM STOCKPILE COSTS			
1. Storage	-	-	-
2. Management	-		-
3. Maintenance/Other	-		-
Total Cost	-		-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Non-Energy Supply Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) FY 2009 Budget Estimates  
February 2008

(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders			
a. Orders from DoD Components	18,766.2	16,791.5	16,456.3
Army	9,232.2	8,074.4	7,403.8
Navy	3,404.7	3,076.9	3,181.3
Air Force	3,768.2	3,569.2	3,699.8
Marine Corps	1,030.0	914.2	956.3
Other	1,256.5	1,156.7	1,215.0
DECA	74.6	0.1	0.1
b. Orders from Other Activity Groups	104.2	205.3	193.7
c. Total DoD	18,870.4	16,996.8	16,650.0
d. Other Orders:	1,052.2	1,181.0	1,176.4
Other Federal Agencies	373.1	478.6	470.5
Non-Federal Agencies	257.6	242.0	241.1
Foreign Military Sales	421.5	460.4	464.8
Total New Orders	19,922.6	18,177.8	17,826.4
2. Carry-In Orders	2,241.7	3,159.5	2,593.7
3. Total Gross Orders	22,164.3	21,337.3	20,420.1
4. Carry-Out Orders (-)	(3,240.1)	(2,593.0)	(2,539.6)
5. Gross Sales (-)	18,924.2	18,744.3	17,880.5
6. Credits & Allowances (-)	(96.9)	(157.8)	(156.9)
7. Net Sales	18,827.3	18,586.5	17,723.6

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Non-Energy Supply Management Activity Group  
Fiscal Year (FY) 2009 Budget Estimates  
Revenue and Expenses  
February 2008  
(Dollars in millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue:			
Gross Sales @ Standard	18,924.1	18,744.4	17,880.6
Operations	18,911.7	18,791.6	17,925.1
Capital Surcharge	2.2	-60.6	-61.6
Depreciation	10.2	13.4	17.1
Other Income (Reimbursable)	557.2	1,288.2	1,140.4
Refunds/Discounts (-)	-96.9	-157.8	-157.0
Total Income:	19,384.4	19,874.8	18,864.0
Expenses:			
Cost of Material Sold from Inventory	16,458.3	15,993.2	15,212.2
Salaries and Wages:			
Military Personnel Compensation & Benefits	22.3	22.9	24.1
Civilian Personnel Compensation & Benefits	933.3	1,116.7	1,183.2
Travel & Transportation of Personnel	10.2	30.1	32.7
Materials & Supplies (For Internal Operations)	32.6	51.1	45.4
Equipment	64.7	126.9	127.1
Other Purchases from Revolving Funds	714.5	745.2	798.5
Transportation of Things	91.0	91.7	70.4
Depreciation - Capital	68.7	151.5	126.2
Printing and Reproduction	10.0	13.0	11.6
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communication, Utilities & Misc. Charges	45.3	88.4	86.1
Inventory Maintenance	0.0	15.0	11.4
Other Purchased Services	632.1	1,302.8	980.7
Total Expenses	19,083.0	19,748.5	18,709.6
Operating Result	301.4	126.3	154.4
Less Capital Surcharge Reservation	-2.2	60.6	61.6
Less Cash Recovery Surcharge	-573.9	-56.4	-107.0
Plus Passthroughs or Other Appropriations Affecting NOR	17.6	22.8	32.9
Net Operating Result	-257.1	153.3	141.9
Prior Year AOR	-38.1	-295.2	-141.9
Other Changes Affecting AOR (Retained Earnings)	0.0	0.0	0.0
Accumulated Operating Result	-295.2	-141.9	0.0



**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Energy**  
**FISCAL YEAR (FY) 2009 Budget Estimates**  
**February 2008**

**FUNCTIONAL DESCRIPTION**

The Defense Energy Support Center (DESC) is located at Fort Belvoir, Virginia, and provides comprehensive worldwide energy support for the military services and other authorized customers. DESC also serves as the Department's Executive Agent for the bulk petroleum supply chain. Energy business includes sales of petroleum and aerospace missile fuels; electricity and natural gas products; assistance to the Services regarding privatization of their utility systems; arranging for petroleum support services; providing facility/equipment maintenance on fuel infrastructure; performing energy-related environmental assessment and cleanup; coordinating bulk petroleum transportation; and performing petroleum quality surveillance functions worldwide.

**BUDGET HIGHLIGHTS**

The Department of Defense (DoD) incurred increased fuel costs in FY 2007 due to petroleum market price volatility, growing world demand, fluctuating refining capacity, and regional political instability. This situation is expected to continue in FY 2008 and FY 2009 and is reflected in this budget. The current budget estimate reflects adjustments in fuel cost assumptions in all years that are in line with recent market history and current projections of future costs.

DESC, as the DoD Energy Executive Agent, will assume responsibility from the Air Force for the operation of 46 defense fuel support points in FY 2008. To support this effort, this budget includes funding to finance government owned, contractor operated contracts to support bulk fuel terminals at the 46 Air Force installations. Additionally, DoD has made a commitment in this budget to increase funding for the sustainment, repair and modernization (SRM) of DoD fuel facilities in the Continental United States (CONUS) and outside the CONUS.

**Defense-Wide Working Capital Fund (DWWCF) Direct Appropriations for Energy (Including Supplementals):**

Direct appropriations for Energy that were provided in FY 2007, as well as those requested in FY 2008, are detailed in the following table and narrative. The appropriation requests below are in support of the Global War on Terrorism (GWOT) in Iraq and Afghanistan.

<b>DWWCF Energy Appropriations (\$ in Millions)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Iraq/Afghan Fuel Transportation	192.1	192.1	**
Pipeline/Terminal Operations	16.1	16.1	**
Combat Fuel Losses	87.9	86.8	**
Total Appropriations	\$296.1	\$295.0*	**

\*FY 2008 Supplemental funding of \$280.1 million was received; \$14.9 million is pending Congressional approval.

\*\*Additional GWOT funding may be requested.

**FY 2007**

**Iraq/Afghanistan Fuel Transportation** - Supplemental funding financed fuel transportation into the theaters of operation in Iraq (\$107.0M million) and Afghanistan (\$82.2 million). An additional \$2.9 million financed the delivery of helium to Iraq in support of the Army's Rapid Aerostat Initial Deployment and the Persistent Threat Detection System.

Transportation costs to deliver fuel products to U.S. military forces into these countries are significantly higher than anywhere else in the world because of long delivery times (up to 23 days one way), poor road conditions, weather delays, and insurgent attacks.

**Pipeline/Terminal Operations** - Funding was received to finance costs associated with increased fuel throughput at existing in-theater pipelines, as well as usage fees associated with a new in-theater pipeline. Pipeline use, where available, proves to be the safest and most economical fuel delivery system. This requirement supports U.S. Forces operating in Iraq and Afghanistan. The petroleum used in these pipelines and storage terminals is essential to prosecution of the Operation Enduring Freedom and Operation Iraqi Freedom campaigns and the overall GWOT.

**Combat Fuel Losses** - Tactical fuel sites holding Defense-Wide Working Capital Fund (DWWCF) fuel have experienced higher losses than fixed base facilities.

Locations that are supported via tank truck deliveries require extended duration delivery times and result in transportation fuel losses. The increased journey time, coupled with rough unimproved roads in many locations, also result in losses above the expected norm. Combat fuel losses also include insurgent attacks, theft, spillage and lack of fully matured infrastructure.

### **FY 2008**

The Department of Defense requested direct appropriations in FY 2008 of \$295.0 million to finance Iraq and Afghanistan fuel transportation, pipeline and terminal operations, and combat fuel losses. Description and requirements are as described above. The Consolidated Appropriations Act, 2008 approved \$280.1 million against this request.

### **FY 2009**

Additional Global War on Terrorism (GWOT) funding may be requested for transportation, pipeline and terminal operations, and combat fuel losses.

**Fuel Claims** - The Defense Energy Support Center (DESC) won a significant victory in the U.S. Court of Appeals for the Federal Circuit. In September 2007, the Court of Appeals affirmed three lower court decisions which had upheld the market-based pricing method DESC uses in bulk fuel purchase contracts. Had DESC lost the appeals, it would have opened DESC up to nearly \$3 billion in claims. Litigation had been ongoing since 1992. As a result of the appeal court's precedent ruling, plaintiffs are in the process of agreeing to dismiss their cases. Nineteen of 26 cases pending in the Court of Federal Claims, representing \$2.4 billion in claims, have already been dismissed and judgment entered for the federal government. The appeals court decision followed a 2005 decision of the same court, which upheld the clauses on a narrower ground. This information is provided for informational purposes only.

## **PERFORMANCE INDICATORS**

### **Energy: Net Barrels Sold**

Energy measures its workload in terms of net barrels sold. Net barrels sold reflect requirements provided to the DESC by the military services and other authorized customers. The following table displays net barrels sold over the budget period. Sales estimates reflect support of continuing Global War on Terrorism

operations. The reduction in sales from FY 2007 to FY 2008 is due to lower purchases by the U.S. Navy.

(Barrels in Millions)	FY 2007	FY 2008	FY 2009
Gross Barrels Sold	140.7	136.0	136.0
Less Credit Returns	7.9	6.0	6.0
Net Barrels Sold	132.8	130.0	130.0

**Net Operating Results (NOR):**

The FY 2007 Energy NOR of -\$143 million reflects the continued, although lesser, impact of higher product costs and the completion of the reapportioning of the FY 2006 residual fuel supplemental funding to other business areas within the Defense Working Capital Fund.

The FY 2008 NOR loss of -\$177 million reflects the decision to partially offset the impact of increases in fuel prices on the Military Services by incurring a small loss in the Defense-Wide Working Capital Fund (DWWCF) fuel account.

The FY 2009 NOR loss, estimated at \$439 million, reflects the increase in fuel operations resulting from higher sustainment costs of current and recently capitalized fuel infrastructure and continued GWOT related costs currently financed through supplemental appropriations. The Defense Energy Support Center funds maintenance and repair, environmental mediation and minor construction within DWWCF rates. This funding is required to ensure facilities are properly maintained.

Energy NOR (\$ in Millions)	FY 2007	FY 2008	FY 2009
Revenue	12,827	\$16,160	\$15,440
Expenses	\$12,870	\$16,625	\$15,874
Cost of Goods Sold	\$11,779	\$14,966	\$14,359
Operations	\$1,487	\$1,660	\$1,515
Operating Results	(-44)	(465)	(433)
<b>Other Changes Affecting NOR</b>			
Appropriations			
Fuel Transportation	\$208	\$192	**
Pipeline/Terminal Ops	\$0	\$16	**
Combat Losses	\$88	\$87	**
Capital Surcharge	(\$20)	(\$6)	(\$6)
Transfers Out	(\$375)		
Net Operating Results	(\$143)	(\$177)	(\$439)
Prior Year Accumulated Operating Results	(\$29)	(\$172)	(\$348)
Ending Accumulated Operating Results	(\$172)	(\$348)	(\$788)*

\* Does not add due to rounding.

\*\*Additional Global War on Terrorism funding may be requested.

#### UNIT COST

Unit cost for petroleum products is the per-barrel cost for refined fuel purchased by the Defense Energy Support Center. These costs are increasing due to higher refined product and infrastructure sustainment costs.

Energy Petroleum Unit Cost	FY 2007	FY 2008	FY 2009
Unit Cost Goal (Dollars per barrel)	\$96.95	\$127.02	\$118.48

#### Energy Pricing (Petroleum):

The Department of Defense (DoD) petroleum pricing is based on crude oil forecasts provided by the Office of Management and Budget (OMB). The OMB establishes crude petroleum rates based on market futures data from the New York Mercantile Exchange. The current budget estimate reflects current volatility of the petroleum market industry.

In FY 2007, in the face of wildly fluctuating market prices, DoD adjusted its internal fuel price twice to ensure DWWCF cash solvency and in reaction to world fuel market price increases. In October, the price to DoD customers was revised from the 2007 President's Budget amount of \$84.00 to \$96.60 per barrel; in April the price was lowered to \$89.88 per barrel based on market stabilization. Overall, the cumulative composite price to the customer was \$93.35 per barrel.

In FY 2008, DoD increased the standard price effective October 1, 2007 to \$97.02 per barrel. In the face of significant losses in the DWWCF resulting from steep fuel market price increases, the standard price was increased to \$127.68 per barrel effective December 19, 2007. The December 19 price includes a partial recovery of DWWCF fuel losses experienced in the first quarter of FY 2008. The Department continues to monitor market trends to determine if further price changes will be required.

The following table provides the standard price forecasts for FY 2007 through FY 2009.

<b>Energy</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Standard Price for Petroleum (\$/barrel)	\$96.60/\$89.88	\$97.02/\$127.68	\$115.50

#### **INVENTORY**

The Defense Energy Support Center inventory objective is 60.2 million barrels, of which 34.5 million barrels are war reserve material (WRM). Inventory levels in FY 2007 and FY 2008 reflect storage tank outages as sustainment efforts on deteriorated fuel infrastructure are addressed. The current budget meets the current inventory objective of 60.2 million barrels by the end of FY 2009.

In the following table, "normal" losses refer to spills, evaporation, shrinkage, and contamination. Combat fuel losses include transportation losses, insurgent attacks, theft, spillage and lack of fully matured infrastructure. Combat transportation losses occur when vehicles experience mechanical problems or are disabled by enemy action.

Energy Inventory (Barrels in Millions)	FY 2007	FY 2008	FY 2009
<u>Beginning Inventory</u>	<u>58.9</u>	<u>58.8</u>	<u>59.2</u>
Peacetime Operating	24.4	24.3	24.7
War Reserve	34.5	34.5	34.5
Receipts	134.9	133.7	134.3
Sales (Gross)	(140.7)	(136.0)	(136.0)
Returns for Credit	7.9	6.0	6.0
Returns without Credit	0.3	0.0	0.0
Issues without Reimb.	(0.4)	(0.3)	(0.3)
Net Gains/Losses (Normal)	(1.4)	(2.0)	(2.0)
Combat Losses	(0.7)	(1.0)	(1.0)
<u>Ending Inventory</u>	<u>58.8</u>	<u>59.2</u>	<u>60.2</u>
Peacetime Operating	24.3	24.7	25.7
War Reserve	34.5	34.5	34.5

**Cash:**

Pricing decisions and workload estimates result in projections for cash collections, disbursements, and net outlays. Outlays are also affected by timing of disbursements and collections within the systems that support the transactions.

<b>Energy Cash</b> <b>(\$ in Millions)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Disbursements	\$12,529	\$16,656	\$16,067
Collections	(\$12,808)	(\$16,416)	(\$15,516)
Net Outlays	(\$279)	\$241	\$551
Appropriations	(\$277)	(\$295)	**
Transfers	\$375	\$0	\$0
Adjusted Outlays	(\$181)	(\$54)	\$551

\*\*Additional Global War on Terrorism (GWOT) funding may be requested.

In addition to cash outlays, funding has been received through direct appropriations to offset some of the effects of higher market prices for fuels and incremental costs associated with the GWOT.

**PERSONNEL**

The following table reflects the personnel numbers included in this submission.

Personnel	FY 2007	FY 2008	FY 2009
<b>End Strength</b>			
Military*	77	77	77
Civilian	921	968	1,004
Total	998	1,045	1,081
<b>FTEs</b>			
Military*	77	77	77
Civilian	852	929	978
Total	929	1,006	1,055

\*Includes full time military only and does not include Reserve positions.

Personnel full time equivalents (FTEs) and end strength have changed from the FY 2008 President's Budget. Although the Defense Energy Support Center continues its efforts to bring personnel on board, FY 2007 fell 10 FTEs short of the 2008 President's Budget target of 862. In FY 2008 and FY 2009, the budget increases reflect the transfer of Air Force defense fuel supply points, Enterprise Business System-Energy convergence, and Chief Financial Officer Act auditability, offset by DLA reductions.

**CAPITAL BUDGET**

(Dollars in Millions)	FY 2007	FY 2008	FY 2009
Equipment (Non-Automated Data Processing)	\$7.7	\$16.4	\$19.9
Software Development	\$0.5	\$0.0	\$9.8
Minor Construction \$100,000 - \$750,000	\$23.1	\$25.5	\$24.5
Total	\$31.3	\$41.9	\$54.2

The capital budget funds investments that exceeded the \$100,000 expense/investment criteria for the automated data processing equipment (ADPE), non-ADPE, and software development category, and for the minor construction category. Effective FY 2008, the capital budget funds investments that exceed the \$250,000 expense/investment criteria for the non-ADPE (including replacement of automated tank gauging systems) and software



development category, and \$100,000 for the minor construction category.

DEFENSE-WIDE WORKING CAPITAL FUND  
 SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
 Defense Logistics Agency/Defense Energy Support Center  
 Fiscal Year (FY) 2009 Budget Estimates  
 Supply Management Summary  
 FY 2007 Actuals  
 Dollars in Millions  
 February 2008

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES									0.0
MEDICAL									0.0
SUBSISTENCE									0.0
GENERAL & INDUSTRIAL									0.0
AVIATION									0.0
LAND & MARITIME									0.0
BOS									0.0
NSA									0.0
DLIS									0.0
Corporate									0.0
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENERGY (includes Aerospace)	2,182.1	12,604.9	12,611.2	13,095.8	0.0	343.3	13,439.0	0.0	13,439.0
TOTAL	2,182.1	12,604.9	12,611.2	13,095.8	0.0	343.3	13,439.0	0.0	13,439.0

DEFENSE-WIDE WORKING CAPITAL FUND  
 SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
 Defense Logistics Agency/Defense Energy Support Center  
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DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES									0.0
MEDICAL									0.0
SUBSISTENCE									0.0
GENERAL & INDUSTRIAL									0.0
AVIATION									0.0
LAND & MARITIME									0.0
BOS									0.0
NSA									0.0
DLIS									0.0
Corporate									0.0
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENERGY (includes Aerospace)	663.7	16,060.0	16,060.0	16,706.4	0.0	295.0	17,001.4	1,645.3	18,646.7
TOTAL	663.7	16,060.0	16,060.0	16,706.4	0.0	295.0	17,001.4	1,645.3	18,646.7

DEFENSE-WIDE WORKING CAPITAL FUND  
 SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
 Defense Logistics Agency/Defense Energy Support Center  
 Fiscal Year (FY) 2009 Budget Estimates  
 Supply Management Summary  
 FY 2009  
 Dollars in Millions  
 February 2008

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Variability Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES									0.0
MEDICAL									0.0
SUBSISTENCE									0.0
GENERAL & INDUSTRIAL									0.0
AVIATION									0.0
LAND & MARITIME									0.0
BOS									0.0
NSA									0.0
DLIS									0.0
Corporate									0.0
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENERGY (includes Aerospace)	14,249.5	15,240.4	15,240.4	15,562.7	0.0	322.4	15,885.1	1,125.0	17,010.1
TOTAL	14,249.5	15,240.4	15,240.4	15,562.7	0.0	322.4	15,885.1	1,125.0	17,010.1

DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
Inventory Status - Energy  
FY 2007 Actuals  
Dollars in Millions  
February 2008

(Petroleum and Aerospace Fuel)	Total	Mobilization	Peacetime	Other
			Operating	
INVENTORY - Beginning of Period (BOP)	5,064.8	2,855.5	2,209.3	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	54.6	(54.6)	
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	5,064.8	2,910.1	2,154.7	0.0
RECEIPTS AT COST	11,635.2	0.0	11,635.2	
GROSS SALES AT COST	(11,890.0)		(11,890.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs (-)	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs (+)	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	665.5	0.0	665.5	0.0
c. Returns from Customers without Credit (+)	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (-)	(25.3)	0.0	(25.3)	0.0
g. Gains(+)/Losses(-)	(253.1)	0.0	(253.1)	0.0
h. Total Adjustments	387.2	0.0	387.2	0.0
INVENTORY - End of Period (EOP)	5,197.2	2,910.1	2,287.1	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention (Memo)	0.0			0.0
b. Contingency Retention (Memo)	0.0			0.0
c. Potential DoD Utilization (Memo)	0.0			0.0
INVENTORY ON ORDER EOP	4,243.7		4,243.7	

**DEFENSE-WIDE WORKING CAPITAL FUND**  
**SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY**  
**Defense Logistics Agency/Defense Energy Support Center**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**Inventory Status - Energy**  
**FY 2008**  
**Dollars in Millions**  
**February 2008**

(Petroleum and Aerospace Fuel)	Total	Mobilization	Peacetime	Other
			Operating	
INVENTORY - Beginning of Period (BOP)	5,197.2	2,910.1	2,287.1	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	906.4	906.4	0.0	0.0
c. Inventory Reclassified and Repriced	6,504.7	3,816.5	2,688.2	0.0
RECEIPTS AT COST	14,863.8	0.0	14,863.8	
GROSS SALES AT COST	(15,068.8)		(15,068.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs (-)	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs (+)	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	663.7	0.0	663.7	0.0
c. Returns from Customers without Credit (+)	33.2	0.0	33.2	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (-)	(33.2)	0.0	(33.2)	0.0
g. Gains(+)/Losses(-)	(331.9)	0.0	(331.9)	0.0
h. Total Adjustments	331.9	0.0	331.9	0.0
INVENTORY - End of Period (EOP)	6,631.5	3,816.5	2,815.0	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention (Memo)	0.0	0.0	0.0	0.0
b. Contingency Retention (Memo)	0.0	0.0	0.0	0.0
c. Potential DoD Utilization (Memo)	0.0	0.0	0.0	0.0
INVENTORY ON ORDER EOP	5,565.6		5,565.6	

DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
Inventory Status - Energy  
FY 2009  
Dollars in Millions  
February 2008

(Petroleum and Aerospace Fuel)	Total	Mobilization	Peacetime	Other
			Operating	
INVENTORY - Beginning of Period (BOP)	6,631.5	3,816.5	2,815.0	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)	(384.5)	(176.0)	(208.5)	
c. Inventory Reclassified and Repriced	6,247.0	3,640.5	2,606.4	0.0
RECEIPTS AT COST	14,249.5		14,249.5	
GROSS SALES AT COST	(14,374.8)		(14,374.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs (-)	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs (+)	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit (+)	633.1	0.0	633.1	0.0
c. Returns from Customers without Credit (+)	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (-)	(42.2)	0.0	(42.2)	0.0
g. Gains(+)/Losses(-)	(221.6)	0.0	(221.6)	0.0
h. Total Adjustments	369.3	0.0	369.3	0.0
INVENTORY - End of Period (EOP)	6,491.0	3,640.5	2,850.4	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention (Memo)	0.0	0.0	0.0	0.0
b. Contingency Retention (Memo)	0.0	0.0	0.0	0.0
c. Potential DoD Utilization (Memo)	0.0	0.0	0.0	0.0
INVENTORY ON ORDER EOP	5,309.0		5,309.0	

DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
War Reserve Material (WRM) Stockpile  
FY 2007 Actuals  
Dollars in Millions  
February 2008

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,855.5	2,855.5	0.0
2. Price Change (Memo)	54.6	54.6	0.0
3. Inventory Repriced	2,910.1	2,910.1	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3.) Other	0.0	0.0	0.0
5. Inventory EOP	2,910.1	2,910.1	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Repair WRM	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0



DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
War Reserve Material (WRM) Stockpile  
FY 2008  
Dollars in Millions  
February 2008

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,910.1	2,910.1	0.0
2. Price Change (Memo)	906.4	906.4	0.0
3. Inventory Repriced	3,816.5	3,816.5	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3.) Other	0.0	0.0	0.0
5. Inventory EOP	3,816.5	3,816.5	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Repair WRM	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
War Reserve Material (WRM) Stockpile  
FY 2009  
Dollars in Millions  
February 2008

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	3,816.5	3,816.5	0.0
2. Price Change (Memo)	(176.0)	(176.0)	0.0
3. Inventory Repriced	3,640.5	3,640.5	0.0
4. Inventory Changes			
a. Receipts @ cost	0.0	0.0	0.0
(1). Purchases	0.0	0.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ cost	0.0	0.0	0.0
(1). Sales	0.0	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3.) Disposals	0.0	0.0	0.0
c. Adjustments @ cost	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and Losses	0.0	0.0	0.0
(3.) Other	0.0	0.0	0.0
5. Inventory EOP	3,640.5	3,640.5	0.0
WRM STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Cost	0.0	0.0	0.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	0.0	0.0	0.0
a. Additional WRM	0.0	0.0	0.0
b. Replen. WRM	0.0	0.0	0.0
c. Repair WRM	0.0	0.0	0.0
d. Assemble/Disassemble	0.0	0.0	0.0
e. Other	0.0	0.0	0.0
Total Request	0.0	0.0	0.0

**DEFENSE-WIDE WORKING CAPITAL FUND**  
**SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY**  
**Defense Logistics Agency/Defense Energy Support Center**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**Source of New Orders and Revenue**  
**FY 2007 - 2009**  
**Dollars in Millions**  
**February 2008**

<b>TOTAL ENERGY</b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
a. Orders from DoD Components	12,154.1	14,983.1	14,212.7
Army	2,015.3	2,410.8	2,289.3
Navy	3,548.4	4,305.7	4,057.5
Air Force	6,176.9	7,722.4	7,324.1
Marine Corps	185.5	253.8	241.6
Other	228.1	290.5	300.2
b. Orders from Other Activity Groups	2.3	1.6	1.6
c. Total DoD	12,156.4	14,984.7	14,214.2
d. Other Orders:	1,185.1	1,804.9	1,719.2
Other Federal Agencies	169.5	232.8	224.9
Non-Federal Agencies	506.5	927.0	881.5
Foreign Military Sales	509.1	645.1	612.7
Total New Orders	13,341.5	16,789.6	15,933.4
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	13,341.5	16,789.6	15,933.4
4. Funded Carry-Over	0.0	0.0	0.0
5. Total Gross Sales	13,341.5	16,789.6	15,933.4
6. Credits	(730.3)	(729.6)	(693.0)
7. Net Sales	12,611.2	16,060.0	15,240.4

**DEFENSE-WIDE WORKING CAPITAL FUND**  
**SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY**  
**Defense Logistics Agency/Defense Energy Support Center**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**Revenue and Expenses**  
**FY 2007 - FY 2009**  
**Dollars in Millions**  
**February 2008**

	<u>FY 2007</u>		
	<u>Actuals</u>	<u>FY 2008</u>	<u>FY 2009</u>
<b>Revenue:</b>			
Gross Sales @ Standard	13,341.5	16,597.3	15,766.3
Operations	13,302.6	16,555.6	15,714.7
Capital Surcharge	20.3	6.4	6.1
Depreciation excluding Major Construction	18.5	35.3	45.5
Major Construction Depreciation			
Other Income	215.6	292.3	367.1
Refunds/Discounts (-)	(730.3)	(729.6)	(693.0)
Total Income	12,826.8	16,160.0	15,440.4
Adjusted Income			
Total Income (allocated)	12,826.8	16,160.0	15,440.4
<b>Expenses:</b>			
Cost of Materiel Sold from Inventory	11,779.0	14,965.5	14,358.7
Salaries and Wages:	97.6	102.0	109.9
Military Personnel Costs	9.5	8.9	10.1
Civilian Personnel Compensation	88.1	93.1	99.8
Travel & Transportation of Personnel	3.5	9.3	9.4
Materials & Supplies (For Internal Operations)	1.3	6.0	3.1
Equipment	1.6	5.4	10.9
Other Purchases from Revolving Funds	41.7	75.6	75.1
Transportation of Things	441.2	564.3	516.4
Depreciation - Capital	18.5	35.3	45.5
Printing and Reproduction	0.3	0.4	0.5
Advisory and Assistance Services	19.6	20.0	20.3
Rent, Communication, Utilities & Misc. Charges	2.7	6.9	7.1
Other Purchased Services	463.4	834.3	716.8
Total Expenses (System)	12,870.4	16,625.0	15,873.7
Allocated Expenses	0.0	0.0	0.0
Total Expenses (Allocated)	12,870.4	16,625.0	15,873.7
<b>Operating Results</b>	<b>(43.6)</b>	<b>(465.1)</b>	<b>(433.3)</b>
Less Capital Surcharge Reservation	(20.3)	(6.4)	(6.1)
Less Recover Other			
Plus Passthroughs or Other Appropriations Affecting NOR	296.1	295.0	0.0
Other Adjustments Affecting NOR (Specify)	(374.9)	0.0	0.0
Transfers Out	(374.9)	0.0	0.0
<b>Net Operating Results</b>	<b>(142.7)</b>	<b>(176.5)</b>	<b>(439.4)</b>
Prior Year Adjustments			
Other Changes Affecting AOR (Specify)			
Prior Year AOR	(28.9)	(171.6)	(348.1)
Accumulated Operating Result			
Non-Recoverable Adjustments Impacting AOR (Specify)			
Accumulated Operating Results for Budget Purposes	(171.6)	(348.1)	(787.5)

DEFENSE-WIDE WORKING CAPITAL FUND  
 SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
 Defense Logistics Agency/Defense Energy Support Center  
 Fiscal Year (FY) 2009 Budget Estimates  
 Fuel Data  
 FY 2007 Actuals  
 U.S. Dollars  
 February 2008

Budget Fuel Data		PROCURED FROM DESC			PROCURED BY SERVICE			Stabilized Price
	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	
<b>Aerospace Missile Fuels</b>								
Nitric Acid	16	0.625	\$26.25	\$16.406				
Priming Fluid ALCM (PF-1)	23	2.425	\$17.82	\$43.212				
JP-10	28	128.903	\$25.00	\$3,222.581				
Isopropyl Alcohol	31	41.560	\$0.47	\$19.533				
Deuterium, Gaseous	33	17.310	\$0.30	\$5.193				
Liquid Air	39	0.000	\$1.35	\$0.000				
Liquid Carbon Dioxide	86	2,355.680	\$0.15	\$353.352				
<b>TOTAL MISCELLANEOUS</b>		<b>2,546.5</b>	<b>\$1.44</b>	<b>\$3,660.277</b>				
<b>Argon</b>								
Argon, Gaseous-Conus	21	0.664	\$147.00	\$97.596				
Argon, Liquid	32	785.143	\$0.23	\$180.583				
Argon, Gaseous-OConus	61	0.253	\$150.00	\$37.980				
Argon, Gaseous-FMS	87	0.000	\$950.00	\$0.000				
<b>TOTAL ARGON</b>		<b>786.061</b>	<b>\$0.40</b>	<b>\$316.159</b>				
<b>Dinitrogen Tetroxide</b>								
Dinitrogen Tetroxide	9	145.659	\$12.00	\$1,747.909				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.310	\$110.00	\$34.100				
Dinitrogen Tetroxide, MON-15 Low Iron	82	0.110	\$100.00	\$11.000				
Dinitrogen Tetroxide, MON-3UL	89	0.000	\$8.05	\$0.000				
<b>TOTAL DINITROGEN TETROXIDE</b>		<b>146.079</b>	<b>\$12.27</b>	<b>\$1,793.009</b>				
<b>Helium</b>								
Helium, Cylinder	1	301.816	\$0.45	\$135.817				
Helium, Bulk	2	13.428	\$135.00	\$1,812.813				
Helium, Liquid-Dewars	24	82.672	\$5.20	\$429.893				
Helium, Liquid Bulk	36	0.000	\$0.00	\$0.000				
Helium, Extra Hi-Purity	43	0.000	\$0.00	\$0.000				
Helium, Ultra Hi-Purity	49	20.795	\$0.73	\$15.180				
Helium, Gaseous Bulk	80	90.944	\$46.70	\$4,247.085				
<b>TOTAL HELIUM</b>		<b>509.654</b>	<b>\$13.03</b>	<b>\$6,640.788</b>				
<b>Hydrazine</b>								
Hydrazine, UDMH	7	1.914	\$78.00	\$149.292				
Hydrazine	8	27.960	\$78.00	\$2,180.880				
Hydrazine, MMH	15	45.312	\$78.00	\$3,534.336				
Hydrazine, MPH	34	10.731	\$78.00	\$837.018				
Hydrazine, Hi-Purity	35	37.727	\$78.00	\$2,942.679				
Hydrazine, Water	37	8.852	\$78.00	\$690.460				
<b>TOTAL HYDRAZINE</b>		<b>132.496</b>	<b>\$78.00</b>	<b>\$10,334.665</b>				
<b>Hydrogen</b>								
Hydrogen, Liquid	12	588.969	\$3.15	\$1,855.252				
Hydrogen Peroxide	17	0.000	\$0.65	\$0.000				
Hydrogen, Gaseous	27	0.127	\$100.00	\$12.667				
<b>TOTAL HYDROGEN</b>		<b>589.096</b>	<b>\$3.17</b>	<b>\$1,867.919</b>				
<b>Kerosene</b>								
Kerosene, RP-1, Bulk	10	259.465	\$2.50	\$648.663				
Kerosene, RP-1, Drum	65	0.106	\$4.50	\$0.477				
Kerosene, RP-1, TS5	75	0.000	\$30.00	\$0.000				
Kerosene, RP-1, Ultra Low Grade	76	0.000	\$23.00	\$0.000				
Kerosene, RP-1, TS30 Drum	77	0.000	\$11.10	\$0.000				
<b>TOTAL KEROSENE</b>		<b>259.571</b>	<b>\$2.50</b>	<b>\$649.140</b>				
<b>Nitrogen</b>								
Nitrogen, Liquid	4	88.733	\$85.00	\$7,542.329				
Nitrogen, Gaseous	5	203.688	\$4.25	\$865.674				
Nitrogen Trifluoride	11	0.000	\$64.00	\$0.000				
Nitrogen, Liquid (Pipeline)	46	0.000	\$0.00	\$0.000				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	172.445	\$16.00	\$2,759.127				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.336	\$460.00	\$154.665				
Nitrogen, Gaseous (KSC Only)	55	100.492	\$6.08	\$610.991				
Nitrogen, Liquid (NASA AMES)	64	0.000	\$0.00	\$0.000				
ABO	83	2,949.565	\$0.97	\$2,861.078				
ABO - Oconus	830	170.535	\$2.75	\$468.971				
LN2	84	1,278.919	\$0.80	\$1,023.135				
LN2 - Oconus	840	112.057	\$1.48	\$165.844				
<b>TOTAL NITROGEN</b>		<b>5,076.771</b>	<b>\$3.24</b>	<b>\$16,451.815</b>				
<b>Oxygen</b>								
Oxygen, Liquid	3	1.924	\$85.15	\$163.829				
Oxygen, Liquid (Vandenberg AFB Only)	53	1.773	\$125.00	\$221.671				
Oxygen, Liquid (KSC Only)	63	3.283	\$66.00	\$216.709				
<b>TOTAL LIQUID OXYGEN</b>		<b>6.981</b>	<b>\$86.27</b>	<b>\$602.209</b>				
<b>Xenon</b>								
Xenon, Gaseous	19	0.000	\$0.00	\$0.000				
Xenon, Extra High-Purity	66	25.048	\$1.53	\$38.323				
<b>TOTAL LIQUID XENON</b>		<b>25.048</b>	<b>\$0.00</b>	<b>\$38.323</b>				
<b>Methane</b>								
Methanol Liquid	85	0.600	\$6.20	\$3.720				
Methane Liquid	44	7.677	\$6.49	\$49.826				
Methanol/Water	95	8.360	\$8.88	\$74.236				
<b>TOTAL METHANE LIQUID</b>		<b>16.637</b>	<b>\$21.57</b>	<b>\$127.782</b>				
Rounding factor				\$0.015				
<b>TOTAL</b>		<b>10,094.896</b>	<b>4.21</b>	<b>42,482.102</b>				

DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
Fuel Data  
FY 2008  
U.S. Dollars  
February 2008

Budget Fuel Data		PROCURED FROM DESC			PROCURED BY SERVICE			Stabilized Price
PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)		
<b>Aerospace Missile Fuels</b>								
	Nitric Acid	16	0.390	\$30.00		\$11.700		
	Priming Fluid ALCM (PF-1)	23	2.324	\$17.50		\$40.670		
	JP-10	28	128.768	\$25.00		\$3,219.200		
	Isopropyl Alcohol	31	240.000	\$0.83		\$199.200		
	Deuterium, Gaseous	33	5.500	\$0.50		\$2.750		
	Liquid Air	39	30.000	\$1.35		\$40.500		
	Liquid Carbon Dioxide	86	2,530.000	<u>\$0.12</u>		<u>\$303.600</u>		
	<b>TOTAL MISCELLANEOUS</b>		<b>2,937.0</b>	<b>\$1.30</b>		<b>\$3,817.620</b>		
	Argon, Gaseous-Conus	21	0.871	\$172.00		\$149.812		
	Argon, Liquid	32	1,140.000	\$0.35		\$399.000		
	Argon, Gaseous-OConus	61	0.295	\$175.00		\$51.625		
	Argon, Gaseous-FMS	87	0.050	<u>\$950.00</u>		<u>\$47.500</u>		
	<b>TOTAL ARGON</b>		<b>1,141.216</b>	<b>\$0.57</b>		<b>\$647.937</b>		
	Dinitrogen Tetroxide	9	184.772	\$22.00		\$4,064.984		
	Dinitrogen Tetroxide, MON-25 Low Iron	79	1.898	\$155.50		\$295.139		
	Dinitrogen Tetroxide, MON-15 Low Iron	82	0.360	\$128.00		\$46.080		
	Dinitrogen Tetroxide, MON-3UL	89	4.000	<u>\$8.05</u>		<u>\$32.200</u>		
	<b>TOTAL DINITROGEN TETROXIDE</b>		<b>191.030</b>	<b>\$23.23</b>		<b>\$4,438.403</b>		
	Helium, Cylinder	1	246.015	\$0.64		\$157.450		
	Helium, Bulk	2	19.079	\$138.00		\$2,632.902		
	Helium, Liquid-Dewars	24	60.374	\$5.00		\$301.870		
	Helium, Liquid Bulk	36	0.000	\$0.00		\$0.000		
	Helium, Extra Hi-Purity	43	0.000	\$0.00		\$0.000		
	Helium, Ultra Hi-Purity	49	38.127	\$0.73		\$27.833		
	Helium, Gaseous Bulk	80	102.962	<u>\$46.70</u>		<u>\$4,808.325</u>		
	<b>TOTAL HELIUM</b>		<b>466.557</b>	<b>\$16.99</b>		<b>\$7,928.380</b>		
	Hydrazine, UDMH	7	4.600	\$106.15		\$488.290		
	Hydrazine	8	41.250	\$106.15		\$4,378.688		
	Hydrazine, MMH	15	73.878	\$106.15		\$7,842.150		
	Hydrazine, MPH	34	27.244	\$106.15		\$2,891.951		
	Hydrazine, Hi-Purity	35	27.180	\$106.15		\$2,885.157		
	Hydrazine, Water	37	12.470	<u>\$106.15</u>		<u>\$1,323.691</u>		
	<b>TOTAL HYDRAZINE</b>		<b>186.622</b>	<b>\$106.15</b>		<b>\$19,809.925</b>		
	Hydrogen, Liquid	12	393.672	\$3.00		\$1,181.016		
	Hydrogen Peroxide	17	0.000	\$0.76		\$0.000		
	Hydrogen, Gaseous	27	0.188	<u>\$110.00</u>		<u>\$20.680</u>		
	<b>TOTAL HYDROGEN</b>		<b>393.860</b>	<b>\$3.05</b>		<b>\$1,201.696</b>		
	Kerosene, RP-1, Bulk	10	95.768	\$3.50		\$335.188		
	Kerosene, RP-1, Drum	65	0.265	\$10.00		\$2.650		
	Kerosene, RP-1, TS5	75	0.000	\$0.00		\$0.000		
	Kerosene, RP-1, Ultra Low Grade	76	0.265	\$31.00		\$8.215		
	Kerosene, RP-1, TS30 Drum	77	15.800	<u>\$11.10</u>		<u>\$175.380</u>		
	<b>TOTAL KEROSENE</b>		<b>112.098</b>	<b>\$4.65</b>		<b>\$521.433</b>		
	Nitrogen, Liquid	4	103.238	\$85.00		\$8,775.230		
	Nitrogen, Gaseous	5	124.788	\$4.25		\$530.349		
	Nitrogen Trifluoride	11	0.000	\$75.50		\$0.000		
	Nitrogen, Liquid (Pipeline)	46	0.000	\$0.00		\$0.000		
	Nitrogen, Gaseous (Vandenberg AFB Only)	50	251.000	\$16.00		\$4,016.000		
	Nitrogen, Liquid (Alaska/Hawaii)	54	0.400	\$480.00		\$192.000		
	Nitrogen, Gaseous (KSC Only)	55	333.928	\$7.00		\$2,337.496		
	Nitrogen, Liquid (NASA AMES)	64	0.000	\$0.00		\$0.000		
	ABO	83	1,510.272	\$0.99		\$1,495.169		
	ABO - Oconus	830	313.844	\$3.00		\$941.532		
	LN2	84	599.472	\$0.75		\$449.604		
	LN2 - Oconus	840	206.202	<u>\$1.50</u>		<u>\$309.303</u>		
	<b>TOTAL NITROGEN</b>		<b>3,443.144</b>	<b>\$5.53</b>		<b>\$19,046.683</b>		
	Oxygen, Liquid	3	4.450	\$93.00		\$413.850		
	Oxygen, Liquid (Vandenberg AFB Only)	53	2.487	\$120.00		\$298.440		
	Oxygen, Liquid (KSC Only)	63	3.965	<u>\$66.00</u>		<u>\$261.690</u>		
	<b>TOTAL LIQUID OXYGEN</b>		<b>10.902</b>	<b>\$89.34</b>		<b>\$973.980</b>		
	Xenon, Gaseous	19	0.000	\$0.00		\$0.000		
	Xenon, Extra High-Purity	66	98.630	<u>\$4.60</u>		<u>\$453.698</u>		
	<b>TOTAL LIQUID XENON</b>		<b>98.630</b>	<b>\$0.00</b>		<b>\$453.698</b>		
	Methanol Liquid	85	5.000	\$3.67		\$18.350		
	Methane Liquid	44	<u>16.619</u>	<u>\$2.81</u>		<u>\$46.699</u>		
	<b>TOTAL METHANE LIQUID</b>		<b>21.619</b>	<b>\$6.48</b>		<b>\$65.049</b>		
	Rounding factor					\$0.000		
	<b>TOTAL</b>		<b>9,002.660</b>	<b>6.54</b>		<b>58,904.8</b>		



DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
Fuel Data  
FY 2007 Actuals  
U.S. Dollars  
February 2008

Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<b><u>BULK and PC&amp;S:</u></b>							
JP8	80.9	\$93.02	\$7,527.55				
DISTILLATES (F76, DFW)	15.0	\$92.60	\$1,388.17				
JP5	14.6	\$93.86	\$1,374.72				
DIESEL	7.2	\$90.92	\$654.90				
JP50, JA1, and JAA	2.2	\$93.02	\$209.20				
MOGAS (Unleaded)	1.5	\$95.12	\$145.63				
RESIDUALS	0.8	\$70.40	\$55.26				
MOGAS (Leaded)	0.5	\$111.66	\$54.38				
JTS	0.1	\$163.79	\$15.07				
Gasohol	0.0	\$93.64	\$4.12				
Lubricants	0.0	\$302.00	\$7.85				
JP4, JAB	0.0	\$96.00	\$2.02				
Avgas	0.0	\$105.65	\$1.80				
<b>TOTAL BULK and PC&amp;S</b>	<b>123.0</b>	<b>\$93.00</b>	<b>\$11,440.66</b>				
<b><u>INTOPLANE</u></b>							
Jet Fuel Commercial Grade	3.8	\$105.59	\$403.25				
<b><u>BUNKERS:</u></b>							
DIESEL (Marine)	3.2	\$70.81	\$223.69				
RESIDUALS (Intermediate)	1.0	\$58.66	\$55.84				
DISTILLATES (F76, DFW)	0.0	\$92.63	\$3.52				
<b>TOTAL BUNKERS</b>	<b>4.1</b>	<b>\$68.22</b>	<b>\$283.05</b>				
<b><u>LOCAL PURCHASE and CASH</u></b>							
JP50, JA1, and JAA	0.9	\$132.51	\$114.49				
JP8	0.5	\$132.52	\$62.68				
MOGAS	0.4	\$120.78	\$45.29				
DIESEL	0.0	\$119.67	\$0.36				
<b>TOTAL LOCAL PURCHASE &amp; CASH</b>	<b>1.7</b>	<b>\$129.93</b>	<b>\$222.82</b>				
Rounding factor							
<b>TOTAL</b>	<b>132.7</b>	<b>\$93.07</b>	<b>\$12,349.79</b>				



DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
Fuel Data  
2008 (1 Oct - 18 Dec 07)  
U.S. Dollars  
February 2008

Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<b><u>BULK and PC&amp;S:</u></b>							
JP8	16.6	\$97.02	\$1,609.2				
DISTILLATES (F76, DFW)	3.7	\$96.60	\$358.1				
JP5	2.2	\$97.86	\$216.6				
DIESEL	0.7	\$93.66	\$67.4				
JP50, JA1, and JAA	0.7	\$97.02	\$70.6				
MOGAS (Unleaded)	0.4	\$97.86	\$38.1				
RESIDUALS	0.1	\$47.01	\$6.1				
MOGAS (Leaded)	0.0	\$115.08	\$0.0				
JTS	0.0	\$163.80	\$2.9				
Gasohol	0.0	\$96.49	\$0.7				
Lubricants	0.0	\$353.75	\$2.8				
JP4, JAB	0.0	\$98.70	\$0.5				
Avgas	<u>0.0</u>	<u>\$116.89</u>	<u>\$0.2</u>				
<b>TOTAL BULK and PC&amp;S</b>	<b>24.5</b>	<b>\$96.82</b>	<b>\$2,373.2</b>				
<b><u>INTOPLANE</u></b>							
Jet Fuel Commercial Grade	1.0	\$104.03	\$105.6				
<b><u>BUNKERS:</u></b>							
DIESEL (Marine)	0.1	\$68.50	\$7.6				
RESIDUALS (Intermediate)	0.0	\$53.67	\$0.3				
DISTILLATES (F76, DFW)	<u>0.6</u>	<u>\$96.81</u>	<u>\$55.5</u>				
<b>TOTAL BUNKERS</b>	<b>0.7</b>	<b>\$91.92</b>	<b>\$63.4</b>				
<b><u>LOCAL PURCHASE and CASH</u></b>							
JP50, JA1, and JAA	0.0	\$178.08	\$1.4				
JP8	0.0	\$178.08	\$1.6				
MOGAS	0.0	\$145.48	\$0.1				
DIESEL	<u>0.0</u>	<u>\$130.62</u>	<u>\$0.0</u>				
<b>TOTAL LOCAL PURCHASE &amp; CASH</b>	<b>0.0</b>	<b>\$176.98</b>	<b>\$3.1</b>				
Rounding Factor							
<b>TOTAL</b>	<b>26.2</b>	<b>\$97.02</b>	<b>\$2,545.3</b>				

DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates  
Fuel Data  
2008 (19 Dec 07 - 30 Sep 08)  
U.S. Dollars  
February 2008

Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<b><u>BULK and PC&amp;S:</u></b>							
JP8	61.9	\$127.68	\$7,903.4				
DISTILLATES (F76, DFW)	11.0	\$127.68	\$1,399.8				
JP5	12.1	\$128.52	\$1,558.5				
DIESEL	6.3	\$124.74	\$792.1				
JP50, JA1, and JAA	1.5	\$127.68	\$186.5				
MOGAS (Unleaded)	1.1	\$130.62	\$143.5				
RESIDUALS	0.8	\$96.18	\$76.9				
MOGAS (Leaded)	0.3	\$153.72	\$46.1				
JTS	0.1	\$163.80	\$11.7				
Gasohol	0.0	\$131.46	\$4.7				
Lubricants	0.0	\$302.00	\$5.1				
JP4, JAB	0.0	\$131.46	\$1.9				
Avgas	0.0	\$144.90	\$2.2				
<b>TOTAL BULK and PC&amp;S</b>	<b>95.2</b>	<b>\$127.50</b>	<b>\$12,132.6</b>				
<b><u>INTOPLANE</u></b>							
Jet Fuel Commercial Grade	2.7	\$144.90	\$391.2				
<b><u>BUNKERS:</u></b>							
DIESEL (Marine)	2.3	\$128.94	\$296.6				
RESIDUALS (Intermediate)	2.4	\$96.18	\$226.2				
DISTILLATES (F76, DFW)	0.1	\$127.68	\$8.9				
<b>TOTAL BUNKERS</b>	<b>4.7</b>	<b>\$112.60</b>	<b>\$531.7</b>				
<b><u>LOCAL PURCHASE and CASH</u></b>							
JP50, JA1, and JAA	0.1	\$236.46	\$14.2				
JP8	0.1	\$236.46	\$16.6				
MOGAS	0.1	\$200.76	\$20.1				
DIESEL	1.0	\$173.46	\$166.5				
<b>TOTAL LOCAL PURCHASE &amp; CASH</b>	<b>1.2</b>	<b>\$182.64</b>	<b>\$217.3</b>				
Rounding Factor			-\$23.9				
<b>TOTAL</b>	<b>103.8</b>	<b>\$127.68</b>	<b>\$13,248.9</b>				

DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP - ENERGY  
Defense Logistics Agency/Defense Energy Support Center  
Fiscal Year (FY) 2009 Budget Estimates

Fuel Data  
FY 2009  
U.S. Dollars  
February 2008

Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<b><u>BULK and PC&amp;S:</u></b>							
JP8	79.410	\$115.50	\$9,171.855				
DISTILLATES (F76, DFW)	14.710	\$115.08	\$1,692.827				
JP5	14.360	\$116.34	\$1,670.642				
DIESEL	7.068	\$112.98	\$798.543				
JP50, JA1, and JAA	2.206	\$115.50	\$254.793				
MOGAS (Unleaded)	1.484	\$118.02	\$175.142				
RESIDUALS	0.750	\$86.94	\$65.205				
MOGAS (Leaded)	0.473	\$138.60	\$65.558				
JTS	0.089	\$163.80	\$14.578				
Gasohol	0.043	\$121.80	\$5.237				
Lubricants	0.025	\$302.00	\$7.550				
JP4, JAB	0.020	\$118.86	\$2.377				
Avgas	<u>0.017</u>	<u>\$131.04</u>	<u>\$2.228</u>				
<b>TOTAL BULK and PC&amp;S</b>	<b>120.66</b>	<b>\$115.42</b>	<b>\$13,926.535</b>				
<b><u>INTOPLANE</u></b>							
Jet Fuel Commercial Grade	3.71	\$131.04	\$486.552				
<b><u>BUNKERS:</u></b>							
DIESEL (Marine)	0.056	\$117.60	\$6.586				
RESIDUALS (Intermediate)	2.819	\$86.94	\$245.084				
DISTILLATES (F76, DFW)	<u>0.037</u>	<u>\$115.08</u>	<u>\$4.258</u>				
<b>TOTAL BUNKERS</b>	<b>2.91</b>	<b>\$87.89</b>	<b>\$255.928</b>				
<b><u>LOCAL PURCHASE and CASH</u></b>							
JP50, JA1, and JAA	0.760	\$115.50	\$87.780				
JP8	0.452	\$115.50	\$52.206				
MOGAS	1.500	\$138.60	\$207.900				
DIESEL	<u>0.008</u>	<u>\$112.98</u>	<u>\$0.904</u>				
<b>TOTAL LOCAL PURCHASE &amp; CASH</b>	<b>2.72</b>	<b>\$128.23</b>	<b>\$348.790</b>				
Rounding Factor			(\$2.800)				
<b>TOTAL</b>	<b>130.000</b>	<b>\$115.50</b>	<b>\$15,015.0</b>				

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Distribution Depots**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**

**FUNCTIONAL DESCRIPTION**

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA materiel line items. These items consist of wholesale DoD weapon systems parts and other defense related consumable items to include medical, clothing, subsistence, electrical, industrial and general supplies. In FY 2008, the distribution depots, by location are:

CONUS

Albany, GA  
Anniston, AL  
Barstow, CA  
Cherry Point, NC  
Columbus, OH  
Corpus Christi, TX  
Hill, UT  
Jacksonville, FL  
Map Support, Richmond, VA  
Norfolk, VA  
Oklahoma City, OK  
Pearl Harbor, HI  
Puget Sound, WA  
Red River, TX  
Richmond, VA  
San Diego, CA  
San Joaquin, CA  
Susquehanna, PA  
Tobyhanna, PA  
Warner Robins, GA

OCONUS

Camp Arifjan, Kuwait  
Camp Carroll, Korea  
Germersheim, Germany  
Guam, Marianas  
Sigonella, Italy  
Yokosuka, Japan

These depots, strategically located throughout the world, received and issued 22.7 million secondary lines and warehoused and maintained 117.5 million cubic feet of material during FY 2007. The Defense Distribution Depot network ensures that America's war fighters receive the best value distribution services.

**ADAPTING TO CUSTOMER REQUIREMENTS**

DLA's challenge is to continually transform to meet war fighter needs and expectations, while remaining affordable,

reducing customer wait time, and improving product and service quality. These responsibilities require increased innovation and technology.

New or changed customer requirements and higher transportation costs impacted FY 2007 actual costs and budget projections to include:

- **Decreased workload** - FY 2007 receipts and issues decreased 0.6 million lines (2.1 percent) from the previous FY 2008 President's Budget estimate mainly due to decreased requirements for OIF/OEF. Total processing and storage workload decreases each year despite increases for retrograde returns (overseas shipments of inventory returning to the defense distribution centers stateside), and BRAC redistribution orders between Strategic Distribution Platforms (SDPs).

The retrograde workload began in FY 2006. During FY 2007, \$15.5 million in supplemental appropriations were received to offset costs for additional distribution depot effort to restock or dispose of the material.

- **Increased transportation costs** - Distribution continued to experience increased transportation costs during FY 2007 over the amount planned due to the increased cost of fuel and prior year over-ocean transportation billings. TRANSCOM will continue to directly bill the Services for over-ocean transportation. DLA will continue to bill for World-Wide Express (WWX) and direct booking, along with the Consolidation and Containerization Point (CCP) operations for FY 2008, but will transfer the billing for WWX and direct booking to TRANSCOM in FY 2009.

Increases in second destination transportation also reflect the volatile fuel costs. These estimates remain consistent with workload estimates over the budget years.

- **Impacts of Base Realignment and Closure (BRAC) 2005** - This submission only includes Strategic Distribution Platform (SDP) to SDP Redistribution Orders (RDO) workload funded in the rates. All other BRAC workload will be funded by the BRAC appropriation.

- o Defense Distribution Depot Columbus, Ohio (DDCO) Closure - During FY 2007, efforts continued to close DDCO and dispose/relocate necessary war reserve material to the Defense Distribution Depot Susquehanna, PA (DDSP) (to be completed by 2008). Costs to redistribute approximately 200 thousand orders are estimated at \$4.7 million.
- o Forward Distribution Platform (FDP) to SDP Redistribution Orders (RDOs) and Disposals - DLA has redesigned its distribution network to meet ever changing customer needs by adding two additional SDPs (4 total) and 12 FDPs. This will enhance deployment and sustainment of expeditionary forces, reduce excess capacity, and eliminate unnecessary redundancy. FDPs will be focused on maintaining tailored inventories to meet the needs of their co-located customers. Estimated costs for this undertaking are \$37.1 million from FY 2008 through FY 2011.
- o Privatization - Privatization disestablishes the wholesale supply, storage, and distribution functions for all tires; packaged petroleum, oils and lubricants (POL); and compressed gases used by the Department of Defense, retaining only the Supply Chain contracting function for each commodity. The tire privatization effort encompasses both CONUS and OCONUS depots. The majority of tires to be privatized reside at Distribution Depot Red River, TX (DDRT), DDSP, and Distribution Depot San Joaquin, CA (DDJC). Packaged POL, chemicals, compressed gases and cylinders will only impact CONUS depots at the start of the contract. Costs of \$1.9 million in FY 2008, \$1.8 million in FY 2009 and \$.7 million in FY 2010 are budgeted to accomplish this change in the sourcing strategy.
- o Retail - The DLA Supply Chain managers will be responsible for DLA supply support to the maintenance depots, which constitute the retail mission as defined by BRAC. As a result, Distribution has eliminated 822 FTEs from the FY 2008 President's Budget levels.
- o Savings - BRAC 2005 savings are included in this submission and will be achieved through the BRAC initiatives mentioned above.

- **Theater Consolidation Shipping Point (TCSP)** - DLA has assumed the distribution function of the CENTCOM Theater Distribution Center (TDC) operations in Kuwait. The TCSP acts as the primary conduit for clothing, fuel (packaged), barrier materials, and spare parts (Class II, III, IV and IX) entering the theater. DLA received \$25 million of DWCF Direct supplemental funding for FY 2006 and FY 2007 to support this mission. This budget includes \$13.0 million in supplemental funding for FY 2008 pending Congressional approval.

In addition, DLA assumed the TDC mission in Europe beginning October 2006. The purpose of the TCSP(E) is to consolidate multi-consignee freight from theater shippers and external suppliers, referrals from United States Army Europe (USAREUR) supply support activities and retrograde from United States European Command (EUCOM) in preparation of onward movement to final destinations. The budget estimate for FY 2008 and FY 2009 is \$2.0 million and \$1.9 million, respectively. Army provided a reimbursable funding document for FY 2007 and the budget assumes this will continue as a reimbursable mission.

DLA is currently negotiating the establishment of a TCSP in Korea with Pacific Command (PACOM). No estimate has been included in this submission for this effort.

- **Deployable Distribution Capability** - Working with the Combatant Commander's planning staff, DLA is pursuing the development of a fully deployable OCONUS strategic distribution capability with the goal of providing:  
a) wholesale distribution depot capability during contingency operations to provide in-theater distribution expertise, b) wholesale support services, and c) material visibility in a manner similar to existing fixed based forward stocking locations.

Projected costs for the OCONUS deployable distribution capability are estimated at \$14.1 million in FY 2009. During FY 2006, a CONUS-based deployable depot capability was developed to respond to natural disaster relief efforts. When activated by United States Northern Command and Federal Emergency Management Agency (NORTHCOM/FEMA), it is funded via mission assignment and reimbursed by FEMA.

- Radio Frequency Identification (RFID)** - The DDC has equipped its mission receiving doors with RFID portals. These portals are used to read DOD compliant tags, which subsequently generate accountability data within the receipt processing function of distribution. This allows for faster acceptance of material, as well as complies with the DoD RFID policy of July 30, 2004. The RFID program encompasses two technologies: (1) active tags, which are placed on air pallets and sea-vans, and (2) passive tags which are placed on crates and packages. This budget estimates Distribution active RFID costs for FY 2008 and FY 2009 to be \$10.8 million and \$11.1 million respectively. Passive RFID costs are estimated to be \$5.7 million in FY 2008 and \$4.4 million in FY 2009. RFID costs are comprised of operational costs for the tags and associated supplies, and IT hardware purchases. Passive tag implementation began in January 2005 at DDSP and DDJC. As of FY 2006, all CONUS DDC depots were equipped with mission receiving passive RFID portals. During FY 2007, OCONUS locations were equipped with passive RFID portals to read passive RFID tagged material.

(\$M)	<u>FY 2007 Actual</u>	<u>FY 2008 Projected</u>	<u>FY 2009 Projected</u>
Active Tags	\$9.3	\$10.8	\$11.1
Operating	\$9.3	\$10.8	\$11.1
Capital	-	-	-
Passive Tags	\$ 5.9	\$ 6.0	\$ 4.7
Operating	\$ .5	\$ 5.7	\$ 4.4
Capital	\$ 5.4	\$ .3	\$ .3
<b>Total Tags</b>	<b>\$15.2</b>	<b>\$16.8</b>	<b>\$15.8</b>

- A-76 Competitions** - DLA has completed 14 of 18 A-76 studies. The 14 completed studies resulted in 7 in-house wins and 7 contractor wins.

The table below details the 14 completed studies and 4 planned or in progress A-76 studies.

<u>Completed Studies</u>	<u>FTEs</u>	<u>Winning Entity</u>
Depot Columbus, OH	55	Government MEO
Depot Barstow, CA	170	EG&G Logistics Inc.
Depot Warner Robins, GA	647	LESCO



Depot Jacksonville, FL	152	EG&G Logistics Inc.
Depot Cherry Point, NC	131	GENCO
Depot Richmond, VA	500	Government MEO
Depot Albany, GA	165	Government MEO
Depot Hill, UT	552	EG&G Logistics Inc.
Depot San Diego, CA	411	GENCO
Depot Tobyhanna, PA	120	Government MEO
Depot Puget Sound, WA	86	Government MEO
Depot Corpus Christi, TX	124	Government MEO
Instl Spt, San Joaquin, CA	67	NANA Services, LLP
Instl Spt, Susquehanna, PA	138	Government MEO

Warner Robins, GA has been transitioned from a Contractor-Operated Distribution Depot to Government-Operated as a result of a DLA Command decision in 2006. Richmond, VA was recompeted and will be Contractor-Operated (GENCO) in 2008.

Four studies, involving 1,024 FTEs, are waiting to be announced. Because of new Office of Management and Budget policy (Circular A-76) guidelines, studies that could not be completed in the 36-month time frame were cancelled and will be re-announced. The following table details the four planned A-76 studies:

<u>Studies Underway or Planned</u>	<u>FTEs</u>	<u>Status</u>
Depot Anniston, AL	174	Study to Be Announced
Depot Red River, TX	594	Study to Be Announced
Depot Norfolk, VA	173	Study to Be Announced
Depot Pearl Harbor, HI	83	Study to Be Announced

Estimated costs/assumptions for the competitions follow:

- (1) Study costs estimated at \$4,000 per FTE;
- (2) Separation costs for projected personnel reductions and contract conversions estimated at \$28,000 per FTE.

Budgeted FTE and labor savings include only MEO savings. Costs and savings are prorated to the fiscal year in which they are expected to occur.

- **Wood Packaging Material (WPM) Program** - DDC was given approval to use the DoD Pest Free stamp on DoD assets packed within or on WPM being shipped to CONUS or OCONUS sites. Authorization to use the DoD Pest Free mark expired in first quarter FY 2008. All assets will require certification with the International Standards for

Phytosanitary Measures (ISPM) mark. This will have a significant impact on DDC operations. This budget includes \$11.0 million in FY 2008 and \$6.3 million in FY 2009 for FTEs, supplies and materials, to package stock ready-for-issue and on-the-shelf, on or within compliant ISPM containers.

### **PERFORMANCE INDICATORS**

The performance metrics for this activity group are a reflection of DLA strategic plan priorities. The following metrics are a combination of traditional operational and financial measures as well as measures identified through the Balanced Scorecard process:

#### FINANCIAL:

- Manage Operating Results, as measured by traditional Net Operating Result (NOR)/Accumulative Operating Result (AOR) metrics.
- Minimize Distribution Business Area Costs, as measured by Unit Cost for Distribution services. This submission establishes a projected net landed cost rate (excluding transportation) for receipts and issues of \$23.57 for FY 2008. The FY 2009 rate is projected to be \$23.07, reflecting the agency's continuing focus on improved efficiency and decreasing the cost of doing business.

#### OPERATIONS:

- Material Denial Rate - Performance has been under the .50 percent DLA/DDC goal during FY 2007. As of end of FY 2007, the DDC Denial Rate is .47 percent. DDC continues to focus on inventory accuracy to maintain this level of customer fulfillment.
- High Priority MRO - Across the DDC, we shipped 86% of High priority MROs On-time against the 1 Day goal in FY 2007. Average processing time was 0.8 Days to pick, pack and ship a High Priority MRO.
- Routine MRO - Performance continues to be well under the DoD standard of 3 days, averaging 1.2 days to pick, pack and ship a routine MRO in FY 2007. Without sacrificing timely and reliable support to the war

fighter, the DDC continues to pursue opportunities to improve High Priority MRO performance and reduce overall costs by using routine MROs to balance workload and reduce additional costs associated with providing a level of service which exceeds customer requirements.

New Procurement Receipt - Performance was well within standard during FY 2007. Average processing time across the DDC was 0.8 days from tailgate to stow against a 1.0 day goal.

#### CUSTOMER:

- Improve Customer Satisfaction, as measured by an overarching customer satisfaction index. This index is based on customer survey feedback and is based on the percentage of customers who are satisfied/very satisfied with the activity group's performance. FY 2007 performance was at 86.6 percent. The goal for FY 2008 through FY 2009 is 90 percent.

#### INTERNAL PROCESS:

- Improve Inventory Accuracy, measured by the accuracy of inventory based on the variability of financial adjustments affecting inventory record balances. Current performance is at 4.0 percent. The goal is not to exceed 7 percent.

#### PERSONNEL PROFILE

Changes to the workforce include: converting to/from contractors due to A-76; downsizing; and using a temporary workforce as workload shifts up and down. Reductions to date have been accomplished mainly through the use of Voluntary Separation Incentive Pay (VSIP) and Voluntary Early Retirement Authority (VERA) as well as hiring deferrals. The decrease in FTEs from the FY 2008 President's Budget for FY 2008 is due to the A-76 schedule change, DDC headquarters organizational study to optimize the workforce and lower workload processing. DLA is utilizing workload and workforce re-distribution as well as term employees whenever practical to be able to better respond to workload fluctuations.

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	7892	8093	7791
Civilian Full Time Equivalent (FTEs)	7891	8069	7890
Military End Strength	158	158	158

### **BUDGET HIGHLIGHTS**

The decline in revenue and cost over the budget period reflects reduced workload which began in FY 2005 and is projected to continue through the budget period. The Net Operating Result (NOR) losses shown below reflect: (1) reduced processing workload in FY 2007, below the levels projected when rates were set in FY 2007 President's Budget (24.6 million lines vice 22.7 million lines); (2) adjustments to FY 2008 and FY 2009 rates to return gains from processing and storage in prior years (the gains in prior years were the result of OEF/OIF workload increases); and (3) funding current year costs to realize future year savings and readiness.

	NOR/AOR (\$ in Millions)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	1,342.5	1,417.2	1,368.8
Expenses	1,579.5	1,533.0	1,465.7
Operating Result	(237.0)	(115.8)	(96.9)
Plus Appropriations	15.5	13.0	00.0
Affecting NOR/AOR			
Other Changes Affecting NOR	(1,023.3)	(82.4)	(35.1)
NOR	1,244.8	(185.2)	(132.0)
Prior year AOR	(961.2)	283.6	98.4
Non-Recoverable Adjustment			
Impacting AOR	0.0	0.0	0.0
AOR	283.6	98.4	(33.6)

### **WORKLOAD AND REVENUE**

WORKLOAD:

- **Processing Receipts and Issues:**

Lines Received and Shipped (Millions)

<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
22.7	22.3	22.0

**Receipt workload** declined in FY 2007 for new procurements, customer returns and unserviceable returns. Redistribution receipt workload increased in FY 2007 as a result of the stabilization of inventory that is being driven by the Enterprise Business System (EBS) and the DLA SDP to FDP construct.

**Issue workload** declined slightly in FY 2007 for both on-base and off-base and this decline is expected to continue into FY 2008 and FY 2009. The privatization of POL & tires, as directed by BRAC, will cause an additional decrease in workload. The projected increase in on-base issues to support our local maintenance customers, specifically at Army maintenance depots, has not materialized as projected.

- **Storage:**

DLA bills the customer for materiel (based upon total item cube) stored in DLA's warehouses. This visibility allows DLA's customers to determine the level of inventory and type of storage they require that provides a financial incentive to dispose of unnecessary materiel instead of storing it in warehouses at additional expense.

Overall storage workload decreases primarily as a result of Base Realignment and Closure (BRAC). Storage workload will decrease as inventory on-the-shelf for all owners is reduced. Overall storage workload is forecast to decrease an average of 3.0 percent through the budget years.

Current estimates through the budget period are:

	Item Cube (Millions CF) <u>1/</u>		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Covered Storage Space	73.3	67.4	65.7
Open Storage Space	40.6	44.6	45.5
Specialized Storage Space	3.6	3.0	2.8

1/ Based on item cubic feet (the actual packaged material cube)

REVENUE :

Revenue for the Distribution Depot Activity Group consists of payments from the Supply Management Activity Groups of DLA and Military Services for lines received and shipped, storage space occupied, and special project work.

• **Lines Received and Shipped:**

Net Landed Cost provides DLA's customers with greater visibility of their distribution costs by commodity, customer, and transactions allowing them to make more informed supply decisions. The table on the next page outlines DLA's rate schedule under Net Landed Cost:

**Net Landed Cost Rates**

		FY 07		FY 08		FY 09
		Actual				
<b>Receipt</b>						
Base		\$ 22.52		\$ 22.08		\$ 21.55 per line
Plus						
	1-40 lbs.	\$ 0.79		\$ 0.87		\$ 0.85 per line
	41-150 lbs.	\$ 9.16		\$ 10.12		\$ 9.90 per line
	151-2000 lbs.	\$ 20.86		\$ 23.04		\$ 22.55 per line
	2000+ lbs.	\$ 0.0100		\$ 0.0117		\$ 0.0115 per lb. + 151-2000 rate
Return		\$ 3.83		\$ 4.23		\$ 4.14 per line additional
Hazardous		\$ 12.85		\$ 14.19		\$ 13.89 per line additional
Hard-to-Handle		\$ 12.85		\$ 14.19		\$ 13.89 per line additional
<b>Issue</b>						
Onbase		\$ 10.17		\$ 9.97		\$ 9.73 per line
Plus						
	1-40 lbs.	\$ 0.79		\$ 0.87		\$ 0.85 per line
	41-150 lbs.	\$ 9.16		\$ 10.12		\$ 9.90 per line
	151-2000 lbs.	\$ 20.86		\$ 23.04		\$ 22.55 per line
	2000+ lbs.	\$ 0.0100		\$ 0.0117		\$ 0.0115 per lb. + 151-2000 rate
<b>Offbase</b>		\$ 14.72		\$ 14.43		\$ 14.09 per line
	1-40 lbs.	\$ 1.53		\$ 1.69		\$ 1.65 per line
	41-150 lbs.	\$ 21.09		\$ 23.30		\$ 22.80 per line
	151-2000 lbs.	\$ 41.77		\$ 46.14		\$ 45.15 per line
	2000+ lbs.	\$ 0.0200		\$ 0.0172		\$ 0.0169 per lb. + 151-2000 rate
Hazardous		\$ 12.85		\$ 14.19		\$ 13.89 per line additional
Controlled Item		\$ 6.07		\$ 6.71		\$ 6.56 per line additional
Hard-to-Handle		\$ 12.85		\$ 14.19		\$ 13.89 per line additional
FMS		\$ 6.23		\$ 6.88		\$ 6.73 per line additional
Out-of-Cycle		\$ 17.54		\$ 19.38		\$ 18.96 per line additional
Local Delivery		\$ 1.31		\$ 1.45		\$ 1.42 per line additional
<b>Issue from Receiving</b>						
Base		\$ 1.29		\$ 1.26		\$ 1.23 per line
Plus						
	1-40 lbs.	\$ 0.79		\$ 0.87		\$ 0.85 per line
	41-150 lbs.	\$ 9.16		\$ 10.12		\$ 9.90 per line
	151-2000 lbs.	\$ 20.86		\$ 23.04		\$ 22.55 per line
	2000+ lbs.	\$ 0.0100		\$ 0.0117		\$ 0.0115 per lb. + 151-2000 rate
<b>Transshipments</b>						
Mark For		\$ 5.16		\$ 5.06		\$ 4.94 per line
Onbase		\$ 9.87		\$ 9.68		\$ 9.45 per line
Offbase		\$ 19.36		\$ 18.98		\$ 18.53 per line
	1-40 lbs.	\$ 1.53		\$ 1.69		\$ 1.65 per line
	41-150 lbs.	\$ 21.09		\$ 23.30		\$ 22.80 per line
	151-2000 lbs.	\$ 41.77		\$ 46.14		\$ 45.15 per line
	2000+ lbs.	\$ 0.0200		\$ 0.0172		\$ 0.0169 per lb. + 151-2000 rate
Material Processing Center		\$ -		\$ 5.48		\$ 5.48
Estimated Transportation		\$ 286,400,000		\$ 265,500,000		\$ 267,700,000
Total Processing Cost		\$ 829,500,000		\$ 805,600,000		\$ 791,400,000
Composite Rate (without Transportation)		\$ 21.34		\$ 23.57		\$ 23.07
Workload		22.8M Lines		22.3M Lines		22.0M Lines

- **Storage Rates.** Under Net Landed Cost for storage, DLA's customers are provided item cube data at the national stock number level by distribution center in order to help the customer make better sourcing decisions. To the extent possible, DLA is continuing to vacate warehouses and return them to hosts/owners.

Customer Rate  
Average Cost Per Cubic Foot

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Covered Storage	\$2.810	\$2.789	\$3.048
Open Storage	\$0.799	\$0.618	\$0.620
Specialized Storage	\$3.952	\$4.018	\$4.914

- **Reimbursables.** DLA charges two rates to capture customer directed workload performed: 1) at DLA facilities, and 2) at customer facilities.

The following table outlines DLA's hourly reimbursable workload and rate schedule:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Hourly Workload	1.5M	0.8M	0.8M
DLA Facilities	\$64.86	\$64.82	\$64.46
Non-DLA Facilities	\$51.89	\$51.86	\$51.57

Note: Non-DLA facilities rate excludes costs for utilities, maintenance, and corporate overhead

Beginning in FY 2008 customers will be billed a separate rate for Packing, Preservation, Palletization & Marking (PPP&M) and Tactical Wholesale as follows:

<u>PPP&amp;M</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Workcounts		5.1M	5.1M
Marking Only		\$1.01	\$1.01
Small		\$5.30	\$5.30
Medium		\$11.69	\$11.69
Large		\$28.58	\$28.58
Extra Large		\$107.11	\$107.11



Tactical Retail (DDKS)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Receipt		\$4.50	\$4.50
Issue		\$4.50	\$4.50
On-base delivery		\$1.97	\$1.97
Off-base delivery		\$ for \$	\$ for \$

Over-Ocean Transportation/Consolidation and Containerization Point (OOT/CCP) Over-ocean costs and revenue for Worldwide Express (WWX) and direct booking are included for FY 2008 but eliminated and transferred to TRANSCOM for billing to the customers, during FY 2009. All other over-ocean costs and revenue were transferred to TRANSCOM during FY 2007. This submission includes all CCP costs and revenue.

**DEFENSE WORKING CAPITAL FUND DIRECT APPROPRIATIONS FOR DISTRIBUTION (SUPPLEMENTAL APPROPRIATIONS)**

FY 2007 to FY 2008 DWCF direct appropriations (as described above and included in this budget submission) are detailed in the following chart:

(\$ in millions)		
<b>Supplemental</b>	FY 2007	FY 2008*
Theater Redistribution (retrograde)	15.5	
TCSP Kuwait		13.0
<b>Total</b>	<b>15.5</b>	<b>13.0</b>

\* Includes FY 2008 supplemental funding pending Congressional approval.

**CAPITAL INVESTMENTS**

In FY 2007 the capital budget funds investments that exceed the \$100,000 expense/investment criteria for the automated data processing equipment (ADPE), non-ADPE, and software development category and for the minor construction category. In FY 2008 and FY 2009 the capital budget funds investments that exceed the \$250,000 expense/investment criteria for the automated data processing equipment (ADPE), non-ADPE, and software development category and \$100,000 for the minor construction category.

The Distribution Depot Activity Group submits the following

requirements:

	(Dollars in Millions)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment (non-ADP)	\$16.2	\$17.6	\$19.6
Equipment (ADP/T)	\$10.6	\$ 7.0	\$ 6.5
Software Development	\$ 2.8	\$ 2.3	\$ 2.3
Minor Construction	\$13.4	\$ 9.0	\$ 9.0
Total	\$43.0	\$35.9	\$37.4

In FY 2008 and FY 2009 the capital budget estimate decreases in the ADPE category as the first phase of RFID is implemented. During FY 2007 site surveys in support of deploying seven OCONUS depots were accomplished, additional portals were installed at CONUS sites, one OCONUS depot was implemented for receiving, and printers were purchased in preparation for picking and shipping enhancements. During FY 2008 RFID will expand to the picking, packing, and shipping functions and six additional OCONUS depots will be implemented for receiving. During FY 2009 RFID will expand to the storage function. The software development category also decreases slightly as System Change Requests (SCRs) for the Distribution Standard System (DSS) are below the revised capital investment threshold and the Defense Planning Management System (DPMS) is now deployed.

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Distribution Depots Activity Group  
 Fiscal Year (FY) 2009 Budget Estimates  
 Changes in Cost of Operations  
 February 2008  
 (Dollars in Millions)

	COSTS
FY 07 Actual	1,614.1
FY 08 Estimate in President's Budget	1,537.6
 Estimated Impact in FY 08 of Actual FY 07 Experience:	
Personnel Costs	(4.9)
Supplies and Material	6.2
Equipment	19.9
 Pricing Adjustments:	
Annualization of FY 07 Pay Raise	2.9
FY 08 Pay Raise	11.0
General Purpose Inflation	17.8
 Program Changes:	
Decreased Workload	(27.6)
SRM	(25.3)
Wood Packaging Material Program	11.0
A-76	2.8
BRAC	(125.5)
SDT	30.6
 FY 08 Current Estimate	 1,533.0

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Distribution Depots Activity Group  
 Fiscal Year (FY) 2009 Budget Estimates  
 Changes in Cost of Operations  
 February 2008  
 (Dollars in Millions)

	COSTS
FY 08 Current Estimate	1,533.0
 Pricing Adjustments:	
Annualization of FY 08 Pay Raise	3.9
FY 09 Civilian Personnel Pay Raise	10.6
General Purpose Inflation	17.8
 Program Changes:	
Wood Packaging Material Program	6.3
A-76	1.9
Deployable Distribution Center	4.5
SDT	41.1
BRAC	(153.4)
 FY 09 Estimate	 1,465.7
 Pricing Adjustments:	
Annualization of FY 09 Pay Raise	3.0
FY 10 Civilian Personnel Pay Raise	8.7
General Purpose Inflation	20.0
 Program Changes:	
Wood Packaging Material Program	3.1
Cost Reductions/Managed Reductions/HQ Org Study	(38.6)
SRM	(2.9)
Deployable Distribution Center	11.8
FY 10 Estimate	1,470.8

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Distribution Depots Activity Group**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**Source of New Orders and Revenue**  
**February 2008**  
**(Dollars in Millions)**

	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
1. New Orders			
a. Orders from DoD Components:	39.6	112.2	157.3
Other Services (Appropriated)			
DLA	8.6	71.2	95.1
Army	0.0	0.0	0.0
Navy	0.0	0.0	0.0
Air Force	0.0	0.0	0.0
Marine Corps	0.0	0.0	0.0
DDMA	16.3	21.3	21.3
QOL	3.5	3.6	3.7
TCSP - Europe	1.6	2.0	1.9
TCSP - Kuwait	9.6	13.0	0.0
SRM	0.0	0.0	34.0
DDKS Supplemental	0.0	0.0	0.0
Deployable Distribution Center	0.0	0.0	0.0
Family Housing	0.0	1.1	1.3
b. Orders from Other Working Capital Fund Activity Groups:	1,302.9	1,305.0	1,211.5
DLA	509.6	568.1	576.1
Army	438.6	395.3	328.3
Navy	125.7	121.5	107.9
Air Force	198.8	180.3	172.9
Marine Corps	25.0	33.8	20.0
Other	5.1	6.1	6.2
c. Total DoD:	1,342.5	1,417.2	1,368.8
d. Other Orders:	0.0	0.0	0.0
Other Federal Agencies			
Trust Fund			
Non Federal Agencies			
Foreign Military Sales			
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	1,342.5	1,417.2	1,368.8
4. Funded Carry-over	0.0	0.0	0.0
5. Total Gross Sales	1,342.5	1,417.2	1,368.8

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Distribution Depots Activity Group  
 Fiscal Year (FY) 2009 Budget Estimates  
 Revenue and Expenses  
 February 2008  
 (Dollars in Millions)

	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
<b>Revenue:</b>			
Gross Sales	0.0	0.0	0.0
Operations	1,302.3	1,379.7	1,331.5
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Maj Const	40.2	37.5	37.3
Other Income			
Total Income:	1,342.5	1,417.2	1,368.8
<b>Expenses:</b>			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel	11.3	10.8	11.2
Civilian Personnel	498.2	504.7	505.7
Travel & Transportation of Personnel	4.6	7.2	7.9
Materials & Supplies (for Internal Operations)	54.3	68.4	73.6
Equipment	24.2	45.3	58.6
Other Purchased Services from Revolving Funds	32.6	43.0	44.4
Transportation of Things	534.8	387.4	296.4
Depreciation-Capital	40.2	37.5	37.3
Printing and Reproduction	6.2	7.1	7.2
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communication, Utilities, & Misc. Charges	44.5	63.9	50.1
Other Purchased Services	328.6	357.7	373.4
Total Expenses	1,579.5	1,533.0	1,465.7
Operating Result	(237.0)	(115.8)	(96.9)
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR**	15.5	13.0	(0.0)
Other Changes Aff NOR/AOR - Dep non-DWCF acq PP&E	29.4		
Other Changes Aff NOR/AOR - Transfer from DRMS	341.5		
Other Changes Aff NOR/AOR - Deferred AOR	1,095.4		
Other Changes Affecting NOR/AOR*		(82.4)	(35.1)
Net Operating Result	1,244.8	(185.2)	(132.0)
Prior Year AOR	(961.2)	283.6	98.4
Accumulated Operating Result	283.6	98.4	(33.6)

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Defense Reutilization and Marketing Service**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**February 2008**

**OVERVIEW**

**FUNCTIONAL DESCRIPTION**

The Defense Logistics Agency (DLA) Defense Reutilization and Marketing Service (DRMS) Activity Group, located in Battle Creek, Michigan, is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2007, DRMS received 3.3 million line items of useable property from the Military Service item managers. Excess property is turned in at various DLA Defense Reutilization and Marketing Offices (DRMOs) located on military installations worldwide. DRMS' primary mission is to reutilize excess property within the Department. In FY 2007, DRMS was able to reutilize over \$2.2 billion worth of personal property, minimizing the need for the Department to reinvest in these items. Throughout the disposal process, DRMS is required to maintain stringent accountability for all excess and surplus property.

If property is not reutilized, it is made available for transfer to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations. Property that cannot be reutilized, transferred or donated may be offered for competitive sale to the public, recycled, or disposed. In FY 2007, revenue from sales of surplus property to the public was \$80 million. DRMS received, recycled and/or disposed of over one billion pounds of scrap. DRMS also performs other vital DoD missions; such as scrap metal recovery, demilitarization (DEMIL), and hazardous waste disposal. For example,

- DRMS manages the DoD precious metals recovery program, extracting these commodities from scrap metals. In FY 2007, DRMS achieved the goals requested by the Defense Supply Center Philadelphia with deposits exceeding over \$8.3 million in precious metals values.
- Some types of property require special handling to reduce risk to the public. Property having offensive or defensive characteristics undergoes a DEMIL process to

remove those characteristics. In FY 2007, DRMS DEMILED just under 150 thousand line items of property and mutilated almost 200 thousand line items of property. Property that may contain small amounts of environmentally regulated substances not easily identifiable, such as electronic scrap, undergoes a de-manufacturing process to ensure that no hazardous waste is inadvertently released into the environment.

- The DLA disposal mission includes hazardous property disposition. In this capacity, DLA handles the vast majority of DoD property covered by the Resource Conservation and Recovery Act of 1976, as amended. Some hazardous material has reutilization and/or sales value and goes through the same process as all other DoD property. In FY 2007, DRMS disposed of 7,253 line items of hazardous material by Reutilization/Transfer/Donation (R/T/D) and sales, which avoided contractual disposal as hazardous waste. Once it has been screened for potential reutilization or sales value, all hazardous waste is directly disposed of through contracts managed by DLA and funded on a reimbursable basis by the Military Services.

#### **OPERATIONAL DISCUSSION- CHANGES AND IMPACTS**

**Commercial Venture.** DRMS pioneered a joint Commercial Venture (CV) agreement with a private sector firm to sell the majority of excess useable property within the continental United States (CONUS). This approach allows DRMS to capitalize on private sector flexibility and expertise. As this partnership has matured, Government Liquidators' (GL) performance has continued to improve, realizing increasingly better rates of return on sales.

The CV contract will expire in June 2008. Future sales contracts will continue to impose tighter restrictions on what property is eligible for sale. This realignment of objectives from previous sales contracts is expected to have a negative impact on revenue, but will minimize the inadvertent release of controlled property to the public and, therefore, improve National Security. All sales programs will continue to promote measures that minimize the risk of controlled property being released to the public.

As a result of the General Accountability Office (GAO) Audit 06-943 and in order to mitigate the release of



unauthorized property to the public that is received via Local Stock Number (LSN) or processed in a batch lot, DRMS established Controlled Property Centers (CPCs). The four CPCs in CONUS and two outside the continental United States perform 100 percent review of items processed into batched lots. Additionally, the CPCs review 100 percent of specified LSNs not cleared for release from hub locations to determine appropriate disposition. After the review, the property is sent through the proper disposition channel. It is estimated the four CPCs in CONUS will process almost 23,000 batched lots and almost 75,000 LSN items annually.

Commercial Venture sales are projected to decrease significantly beginning in FY 2008 due to several factors:

- A higher percent of useable property is being downgraded to scrap. This is, in part, the result of screening at the CPCs that decreases the amount of property available for sale under the CV contract.
- The distribution of proceeds between DRMS and GL was increased from 20 percent to 28.5 percent to compensate them for staffing the CPCs, expanding their Information Technology (IT) infrastructure, and adding a two day screening period for Transfer and Donation customers prior to final sale. This submission also assumes that the GAO will find few unauthorized items for sale and GL will receive an additional 3 percent incentive.
- DRMS expects to be directed to stop the sale of all DEMIL B and Q coded property. DEMIL B coded property has Trade Security Controls and DEMIL Q coded property is a Commerce Control Listed item.

DRMS continues to work with the Joint Equipment Assessment Program to ensure that all nuclear, biological, and chemical assets are accountable in the DoD supply system and that none of these assets leave the system without proper tracking.

## **SUPPORT FOR THE GLOBAL WAR ON TERRORISM (GWOT):**

DRMS provides disposal support and services to DoD contingency operations and exercises throughout the world. DRMS provides hazardous waste, excess property disposal support and services to the military within the Joint Operations Area (JOA) of conflict.

DRMS plays a leadership role in assurance that the disposal of DoD generated hazardous materials and wastes is performed in an environmentally compliant manner throughout the world. DRMS also disposes of DoD generated excess property and ensures safe disposal ensuring that all DEMIL-required items are rendered militarily useless.

The operation of equipment, Material Handling Equipment (MHE) and vehicles in the harsh desert environment of severe heat (over 130 degrees F) and sandstorms dramatically reduces the life expectancy of the equipment, requiring increased maintenance and early replacement. The combat environment (in particular mortars) increases equipment and facility costs because of the resultant damage to vehicles, equipment, communication lines and buildings.

In support of the GWOT DRMS has established DRMO Arifjan in Kuwait, DRMO Bagram in Afghanistan, and four DRMOs in Iraq (Anaconda, Al Asad, Speicher, and Victory). DRMS recently awarded a contract to TAOS Industries to perform the day-to-day operation of the six DRMOs. TAOS will also provide disposal support to the Forward Operating Bases (FOB) as they begin to close. DRMS will continue to have government personnel at the DRMOs to provide management planning and oversight of the contractor's performance.

## **WORKLOAD:**

The complexity of the DRMS workload continues to increase. DRMS serves as the last touch point in the life cycle of DoD assets and is responsible for ensuring that no unauthorized release occurs. Workload projections were based on normal business as well as workload associated with:

- Disposal operations in Southwest Asia (SWA),
- Centralized DEMIL Centers (CDCs),
- BRAC-related disposals, and
- Base Reutilization and Closure (BRAC) impacts.

Workload associated with projected turn-ins of property as U.S. Forces in Iraq drawdown has resulted in a projected workload increase in FY 2008 with subsequent decreases in FY 2009 and beyond. This projection is also in consonance with Bosnia and Desert Storm experience. The projection assumes that DRMOs in Iraq will only receive unserviceable property and was made with limited information about excess property that will be generated as FOBs close.

Workload projections for the CDCs are projected to slightly increase due to the review of batched lots and LSN property at the CPCs. BRAC-related disposals will occur as a result of the BRAC 2005 Supply, Storage, and Distribution Reconfiguration decision that reduces DoD covered storage space. BRAC-related disposals are defined as inventory with no demands, issues, or procurements within the last two years. Based on information provided by the DLA Defense Distribution Center, it is anticipated that 1.2 million disposals will occur over the FY 2007 to FY 2009 timeframe. The bulk of this effort will occur in FY 2008, but some increases occurred in FY 2007 and are anticipated in FY 2009 as well.

At this time no significant workload increases are projected in FY 2008 or FY 2009 for Military Service and Defense Agencies' closures due to BRAC.

**BUDGET HIGHLIGHTS**

**Transaction Activity Billing (TAB):**

DRMS recovers approximately 50 to 60 percent of its operating costs through Service Level Billing (SLBs) of the Military Services and DLA Supply. Bills are formulated with an Activity Based Costing (ABC) model that uses disposal workload to allocate the SLB. DRMS used the TAB application workload estimates to determine customer funding levels. Customer service level billings, using this model, are shown below:

**Transaction Activity Billing (\$ in Millions)**

<b>Customer</b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
Army	41.5	55.2	81.7
Air Force	18.7	24.8	36.7
Navy	28.0	37.3	55.0
DLA	15.5	20.7	30.6
<b>Total</b>	<b>103.7</b>	<b>138.0</b>	<b>204.0</b>

Due to increased workload and better than expected performance by DRMS' CV and Scrap Venture partners, DRMS achieved higher than expected sales in FY 2004 through FY 2006. This resulted in a positive Accumulated Operating Result (AOR) that is being refunded to the customers as lower SLBs in FY 2007 and FY 2008. However, the SLBs will increase beginning in FY 2009, reflecting a return to normal levels as well as lower projected sales revenue and increased operating costs due to national security changes described above.

**END STRENGTH AND FULL-TIME EQUIVALENTS (FTE):**

End strength and FTE estimates reflect both the volume and complexity of disposal workload and are essential to support disposal requirements around the world, particularly support to Central Command, and to maximize return to the taxpayers. Most importantly, these resources are critical to maintain national security. The increase in end strength and FTEs from FY 2007 to 2008 is due to several operational factors. During FY 2007, disposal requirements in Kuwait, Iraq and Afghanistan ramped up significantly. DRMS deliberately under executed FTEs to fund emerging requirements in that theatre. For example, DRMO Arifjan, Kuwait, went to a 24/7 operation, requiring increased contract labor. Also, DRMS did not backfill vacant positions while the incumbents deployed to work at one of the six DRMOs in theatre. DRMS is now backfilling those vacancies with term employees. DRMS has projected a 5 percent decrease from the FY 2008 President's Budget FTE to reflect attrition more accurately. Decreases to both end strength and FTEs are projected, beginning in FY 2009, as a result of a re-evaluation of FTE requirements. The table below provides estimates for FTEs and end strength requirements.

**Military and Civilian Personnel**

	<b>FY 2007 Actual</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Estimate</b>
<b>End Strength</b>			
Military	11	11	11
Civilian	1,497	1,701	1,661
<b>Total</b>	<b>1,508</b>	<b>1,712</b>	<b>1,672</b>
<b>Full-time Equivalents</b>			
Military	11	11	11
Civilian	1,453	1,617	1,588
<b>Total</b>	<b>1,464</b>	<b>1,628</b>	<b>1,599</b>

**NET OPERATING RESULT (NOR)/ACCUMULATED OPERATING RESULT (AOR):**

This submission includes Supplemental Appropriation requests for FY 2008, pending Congressional approval. Increased costs in FY 2008 and FY 2009 are due to additional requirements for GWOT and maintaining the CPCs.

**NOR/AOR (\$ in Millions)**

	<b>FY 2007 Actual</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Estimate</b>
Revenue	252.9	283.1	349.4
Expenses	313.6	371.0	387.3
<b>Operating Result</b>	<b>-60.7</b>	<b>-87.9</b>	<b>-37.9</b>
Supplemental Request	3.8	5.3	*
<b>NOR</b>	<b>-56.9</b>	<b>-82.6</b>	<b>-37.9</b>
Prior Year AOR	143.0	86.1	3.4
<b>AOR</b>	<b>86.1</b>	<b>3.4</b>	<b>-34.5</b>

\*Additional GWOT funding may be requested in FY 09

**NET OUTLAYS:**

DRMS' net outlay in FY 2007 was \$62 million. Net outlays will increase in FY 2008 due to the return of positive AOR to the Military Services, then will decrease in FY 2009 due to return to normal SLB levels. Projected outlays assume receipt in FY 2008 of supplemental funding (pending Congressional approval) for all costs of disposal in Kuwait, Iraq and Afghanistan.

**Net Outlays (\$ in Millions)**

	<b><u>FY 2007 Actual</u></b>	<b><u>FY 2008 Estimate</u></b>	<b><u>FY 2009 Estimate</u></b>
Disbursements	318.4	342.4	341.6
Collections	252.8	271.0	316.0
Net Outlays	65.6	71.4	25.6
Supplemental Appropriation	3.8	5.3	
Net Result	61.9	66.2	25.6

**CAPITAL EXPENDITURES:**

DRMS monitors the condition of facilities and equipment at 104 DRMOs to maintain a safe and healthy workplace in accordance with stringent environmental, safety, and health

regulations. As a result of this review, DRMS has developed a plan to replace equipment that has reached or exceeded its useful life at various DRMOs.

Beginning in FY 2008, DRMS plans to begin the Reutilization Business Integration (RBI) project (formerly the Reutilization Modernization Program). The RBI will satisfy new mission system requirements using a combination of Enterprise Business System and Decision Support System capabilities, as well as other emerging DLA Enterprise systems, such as eProcurement, to replace DRMS legacy applications. By leveraging IT to synchronize DRMS operations with the supply chain, RBI will target essential processes to facilitate worldwide reuse, recycling and disposal solutions using a fully compliant business system. RBI will address recent audit findings as well as improve audit readiness.

Minor Construction projects will enhance operations at various storage facilities and will promote proper handling of hazardous materials, hazardous waste, and items requiring DEMIL. Minor construction projects will alter facilities to accommodate mission consolidation and relocation, renovate DEMIL facilities and upgrade security facilities.

The table below depicts actual capital obligations for FY 2007 and requirements for the budget years.

**CAPITAL PROGRAM BUDGET AUTHORITY**  
**(\$ in Millions)**

	<u>FY 2007</u> <u>Actual</u>	<u>FY 2008</u> <u>Estimate</u>	<u>FY 2009</u> <u>Estimate</u>
Non-ADP			
Equipment	6.2	1.0	0.0
ADP			
Equipment	0.0	0.0	1.6
Software			
Development	0.0	11.0	9.8
Minor			
Construction	1.4	2.1	2.1
<b>Total</b>	<b>7.6</b>	<b>14.1</b>	<b>13.5</b>

**PERFORMANCE INDICATORS**

The performance metrics for this activity group are a reflection of priorities established by the DLA strategic plan. The following metrics are a combination of traditional

operational and financial measures as well as measures identified through the Balanced Scorecard process.

### **1. Financial/Unit Cost:**

DRMS earns its obligation authority through unit cost goals. The unit cost structure recognizes that: (1) every line item of useable property and every pound of scrap received for disposal incurs processing costs regardless of the method of final disposition; (2) there are types of excess property that require costly special handling (i.e., DEMIL) without generating any economic return to DoD through reutilization or sales; and (3) processes that are being performed through private sector partnerships (i.e., CV sales) incur some cost for government oversight. The unit cost structure is also flexible enough to remain viable during periods of significant process changes.

The DRMS unit cost goals are based on the major work processes:

- a. **Receiving** unit cost goal is based on the total cost associated with the stock, store and issue (logistics) of useable property divided by the number of line items of useable property received.
- b. **Reutilization/Transfer/Donation (R/T/D)** unit cost goal is based on the total cost associated with reutilizing, transferring and donating excess personal property divided by line items of property disposed via R/T/D.
- c. **Usable Sales** unit cost goal is based on all costs associated with the public sale of surplus, useable personal property divided by the number of line items of property sold.
- d. **Hazardous Waste Disposal** unit cost goal is based on the non-contract costs associated with environmentally regulated disposal of hazardous waste divided by the number of pounds of hazardous waste disposed.
- e. **Recycling/Disposal** unit cost goal is based on the cost of either storing in a landfill or destruction of those non-hazardous items, including property that requires DEMIL and scrap, that remain at the end of the disposal process as well as the cost of all recycling processes divided by the number of pounds of property disposed.

Costs are allocated using an Activity Based Costing (ABC) Model. DRMS updates and refines the ABC Model during each budget submission to more accurately capture costs. The estimated goals and workload contained in this budget estimate are reflected below:

**1. Unit Cost Structure:**

**Workload (in Millions)**

	<b>FY 2007 Actual</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Estimate</b>
a. Receiving 1/	3.303	3.813	3.025
b. R/T/D 2/	0.193	0.216	0.213
c. Sales 2/	0.363	0.520	0.423
d. Haz Waste Disposal 3/	207.040	181.000	181.000
e. Recycling/Disposal 3/	1359.323	1210.273	1167.913

1/Workload in millions of line items received

2/Workload in millions of line items disposed

3/Workload in millions of pounds disposed

**Unit Cost (\$)**

	<b>FY 2007 Actual</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Estimate</b>
a. Receiving 1/	34.165	30.400	40.226
b. R/T/D 2/	195.618	183.247	195.074
c. Sales 2/	28.678	21.756	28.040
d. Haz Waste Disposal 3/	0.195	0.234	0.246
e. Recycling/Disposal 3/	0.052	0.061	0.066

**2. Reutilization/Transfer/Donation (R/T/D):**

This indicator represents the aggregate line items of the reutilized, transferred, and donated property processed, expressed as a percentage of total usable property disposed (total property disposed minus those lines that were downgraded to scrap upon receipt). The indicator applies to the available assets that are economically reused, thus preventing concurrent procurement of new assets. It addresses disposal via reutilization by another Defense customer, transfer to another Federal agency, or donation to eligible state and local



governments or non-profit organizations. This indicator of throughput measures reutilization against all useable property disposed. Viewing R/T/D dispositions as a percentage of total dispositions indicates compliance with federal regulations that mandate reuse through these cost avoidance programs as the first priority of disposal.

**3. Percent of Hazardous Material (HM) Disposed by Reutilization/Transfer/Donation/Sales (R/T/D/S):**

This represents the percent of total hazardous material dispositions made by reutilization, transfer, donation, or sale. By successfully disposing of hazardous material through R/T/D/S, DRMS prevents the need to expend DoD dollars disposing of hazardous waste, resulting in disposal cost avoidance for DoD. This is a significant value to military installations.

**4. Customer Satisfaction:**

Customer satisfaction index as measured by overall customer satisfaction based on survey data - the percentage of customers who are satisfied or very satisfied with DRMS services/products.

**Performance Measures**

<b>Measure</b>	<b>Goal</b>	<b>FY 2007 <u>Actual</u></b>	<b>FY 2008 <u>Goal</u></b>	<b>FY 2009 <u>Goal</u></b>
2. R/T/D	Not less than:	17%	19%	19%
3. Percent of Hazardous Materials Disposed by R/T/D/S	Not less than:	76%	60%	60%
4. Customer Satisfaction	Not less than:	86%	90%	90%

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Defense Reutilization and Marketing Service**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**Changes in the Costs of Operation**  
**February 2008**  
**(\$ in Millions)**

	<b>EXPENSES</b>
FY 2007 Actual	340.0
<u>Pricing Adjustments</u>	7.2
Labor	3.1
Nonlabor	4.0
Program Changes:	23.8
Military Personnel Cost	0.0
Civilian Personnel Cost	-1.2
Travel of Persons	-0.6
Materials and Supplies	2.9
Equipment	-1.9
Other Purchases from Revolving Funds	-1.6
Transportation of Things	-4.5
Depreciation	2.6
Other Purchased Services	28.1
FY 2008 Current Estimate	371.0
	<b>EXPENSES</b>
FY 2008 Current Estimate	371.0
<u>Pricing Adjustments</u>	8.2
Labor	3.5
Nonlabor	4.8
Program Changes:	8.1
Military Personnel Cost	0.0
Civilian Personnel Cost	-5.3
Travel of Persons	-0.1
Supplies	-0.1
Equipment	1.4
Other Purchases from Revolving Funds	-0.8
Transportation of Things	-0.9
Depreciation	1.6
Other Purchased Services	12.5
FY 2009 Current Estimate	387.3

**DEFENSE LOGISTICS AGENCY**  
**Defense Wide-Working Capital Fund**  
**Defense Reutilization and Marketing Service**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**Source of New Orders and Revenue**  
**February 2008**  
**(\$ in Millions)**

	FY 2007	FY 2008	FY 2009
<b>1.New Orders</b>	<b>ACTUAL</b>		
<b>a.Orders from DoD Components</b>	164.2	218.1	285.3
Army	71.3	93.2	120.2
Navy	45.3	62.1	61.8
Air Force	31.0	40.9	71.4
Other	16.5	22.0	31.9
<b>b.Orders from Other Fund Activity Group</b>	8.6	10.6	11.8
<b>c.Total DoD</b>	172.8	228.8	297.2
<b>d.Other Orders:</b>	2.1	2.7	2.7
Other Federal Agencies	0.5	1.5	1.5
Foreign Military Sales	1.5	1.2	1.2
<b>Total New Orders</b>	174.9	231.5	299.9
<b>2.Carry-In Orders</b>	0.0	0.0	0.0
<b>3.Total Gross Orders</b>	174.9	231.5	299.9
<b>4.Sales Proceeds</b>	78.0	51.6	49.6
<b>5.Total Gross Sales</b>	<b>252.9</b>	<b>283.1</b>	<b>349.4</b>

**Note: Total Gross Sales excludes Supplemental Appropriation Funds**

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Defense Reutilization and Marketing Service**  
**Fiscal Year (FY) 2009 Budget Estimates**  
**Revenue and Expenses**  
**February 2008**  
**(\$ in Millions)**

	ACT. EXP		
	FY 2007	FY 2008	FY 2009
<b>Revenue</b>			
Sales			
Operations	245.6	273.1	337.9
Depreciation	7.3	10.0	11.5
Total Income:	252.9	283.1	349.4
<b>Expenses</b>			
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.6	0.7	0.7
Civilian Personnel Compensation & Benefits	115.7	122.0	120.1
Travel & Transportation of Personnel	5.2	5.0	5.0
Materials & Supplies (For Internal Operations)	0.4	3.2	3.2
Equipment	6.5	4.9	6.3
Other Purchases from Revolving Funds	8.8	13.5	12.9
Transportation of Things	38.5	32.6	32.3
Depreciation - Capital	7.3	10.0	11.5
Printing and Reproduction	0.0	0.4	0.4
Advisory & Assistance Services	1.0	1.4	1.4
Rent, Communication, Utilities & Misc. Charges	3.3	5.0	5.1
Other Purchased Services	126.1	172.3	188.3
Total Expenses	313.6	371.0	387.3
<b>Operating Result</b>	-60.7	-88.0	-37.9
Adjustments Affecting NOR/AOR-Supplemental Appr.	3.8	5.3*	**
<b>Net Operating Result</b>	-56.9	-82.7	-37.9
Prior Year Adjustments -- Prior Year AOR	484.0	86.1	3.4
Other Changes Affecting AOR			
Accumulated Operating Result	427.1	3.4	-34.5
Non-Recoverable Adjustment Impacting AOR	-341.0		
Accumulated Operating Result for Budget Purposes	86.1	3.4	-34.5
* Included in request, pending Congressional approval			
**Additional GWOT funding may be requested in FY 2009			

**Defense Logistics Agency  
Defense-Wide Working Capital Fund  
Document Automation & Production Service  
Fiscal Year (FY) 2009 Budget Estimates**

**FUNCTIONAL DESCRIPTION:** The Document Automation & Production Service (DAPS) is responsible for Department of Defense (DoD) printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated services to include: conversion, electronic storage and output, as well as distribution of hard copy and digital information. DAPS provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office.

DAPS' value to DoD is characterized by two elements. First, DAPS provides a full portfolio of best value document services ranging from traditional offset printing, through on-demand output, to online document services. Second, DAPS actively functions as a transformation agent moving DoD toward the use of online documents and services. These services include building libraries of digital documents to permit online access, providing multifunctional devices (that print from networks, copy, fax, and scan) in customer workspaces, and converting paper documents to target digital formats. The results bear out this dynamic transformation in document management – since FY 1997 offset printing workload has decreased 59 percent, on-demand output (high-speed copying) workload has decreased 64 percent and on-line services workload has increased 104 percent.

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 187 production facilities located throughout the United States and abroad.

**CUSTOMERS:** DAPS' primary customers are Army (21 percent), Navy (28 percent), Air Force (23 percent), Defense Agencies (22 percent), and non-DoD customers (6 percent). Both appropriated and DWCF-funded activities are included in each Service's percentage.

**BUDGET HIGHLIGHTS**

DAPS' submission reflects a reduction in the previously forecast revenue and expense for the Equipment Management Solutions (EMS) program. A number of customers have established their own contracts for EMS and are requiring their subordinate organizations to transfer to those contracts as current agreements with DAPS expire. Offsetting this reduction is an expected gain in EMS customers resulting from the disestablishment of the Treasury Franchise Fund Business Activity, FedSource. FedSource engaged in a number of business services including an equipment management program similar to DAPS' EMS program. The majority of FedSource's customers are from the DoD. DAPS will be marketing its EMS services to FedSource customers as the customer agreements with FedSource expire. FedSource is currently scheduled to be formally disestablished as of September 30, 2008.

DAPS' submission reflects a FY 2008 \$2.2 million and FY 2009 \$15.9 million return of funds to customers through reduced prices. FY 2009 prices for DAPS' in-house production will be reduced an average of 6.4 percent.

**PERFORMANCE INDICATORS:**

**1) Conversion to Digital Format:** This performance metric measures the number of pages (in millions) converted to digital format during the year. Conversions may be accomplished either in-house or by contract and include hardcopy to digital, system output to digital, and from one form of digital to another. DAPS' actual production of 38.3 million pages was 42 percent below the goal to convert 66.4 million pages. This reduction is primarily due to a shift in digital procurement solicitations from DAPS' Procurement Gateway to the DLA Enterprise Business System.

**2) Customer Satisfaction:** This performance metric measures customer satisfaction as the percentage of customers ranking DAPS' performance as "satisfied" or "very satisfied." DAPS uses a survey, professionally prepared and administered by an independent entity, to determine an overall customer satisfaction rating. DAPS achieved a customer satisfaction rating of 97 percent for FY 2007, exceeding its goal of 90 percent.

**3) Rework:** In-house rework percentage is used to measure the quality of delivered products. This performance metric is calculated by dividing (1) revenue lost from orders not accepted by the customer by (2) the total in-house production revenue. During FY 2007, DAPS achieved a rework percentage of 0.25, exceeding its goal of 0.27.

**4) On-Time Delivery:** This performance metric measures timeliness of order completion. Metric is calculated by dividing (1) total in-house orders completed on time by (2) total in-house orders. DAPS achieved an on-time delivery rate of 99.22 percent, exceeding its goal of 98 percent.

**FINANCIAL PERFORMANCE MEASURE:** In addition to program performance measures, DLA measures effectiveness of program budgeting and execution with a unit cost performance measure. DAPS Annual Operating Budget calculates this performance by dividing total in-house cost by total in-house units.

	<u>FY 2007 Goal</u>	<u>FY 2007 Actual</u>
<b>Unit Cost per In-house Production Unit</b>	.0559	.0451

DAPS produced 7 percent more in-house units than planned (2,819 million actual versus 2,638 million planned); and actual in-house costs were almost 14 percent lower than planned (\$127.3 million actual versus \$147.4 million planned). By incurring less cost while producing slightly fewer units, DAPS was able to better its unit cost goal by more than 19 percent.

**NET OPERATING RESULT (NOR)/ACCUMULATED OPERATING RESULT (AOR):**

The NOR measures a single fiscal year impact of revenue and expenses incurred by the business. A positive NOR indicates revenues exceed expenses for the business activity.

AOR reflects multi-year results of annual NORs. It measures accumulated effects of NORs from inception of the business activity and demonstrates fiscal strength over a longer period of time.

The following chart depicts projected NOR / AOR for FY 2008 through FY 2009:

(\$ Millions)	FY 07 Actual	FY 08	FY 09
<b>NOR</b>	<b>4.5</b>	<b>(2.2)</b>	<b>(15.9)</b>
<b>Prior Year AOR</b>	<b>23.1</b>	<b>27.6</b>	<b>25.4</b>
<b>AOR</b>	<b>27.6</b>	<b>25.4</b>	<b>9.5</b>

DAPS ended FY 2007 with a positive NOR of \$4.5 million against a goal of negative \$8.6 million. DAPS benefited from lower than planned DFAS expense and the write off of invalid prior year accounts payable. The remainder of DAPS' AOR will be returned to customers in FY 2010.

**PERSONNEL:** This submission projects end strength decreases of 0.6 percent from FY 2007 to FY 2008 and 1.3 percent from FY 2008 to FY 2009. Reductions are due to changes in workload mix.

**CAPITAL BUDGET:** DAPS' capital budget includes Automated Data Processing Equipment (ADPE) and software development primarily for funding electronic document management systems for customers. These systems are fully reimbursable to DAPS by customers and support DAPS' role as transformation agent moving DoD toward the use of online documents and services. The capital budget also includes Non-ADPE for refreshing in-house production equipment and minor construction for sustainment of DAPS' facilities.

## ACTIVITY GROUP PROFILE

(Dollars and Workload in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Cost of Goods Sold	345.3	423.4	428.4
Pass through/Other Appropriations			
Net Operating Results	4.5	(2.2)	(15.9)
Accumulated Operating Results	27.6	25.4	9.5
Workload			
In-House Production (Units)	2,819.0	2,772.8	2,754.9
Unit Cost			
In-House Production	0.0451	0.0552	0.0558
Customer Rate	0.0512	0.0557	0.0522
Customer Rate Change (In-House)	(2.7%)	7.72%	(6.4%)
Customer Rate Change (Composite)	0.00%	4.21%	(0.91%)
Document Conversion (pages)	38.3	44.1	44.0
Customer Satisfaction	97.0%	90.0%	90.0%
Rework Requests	0.25%	0.25%	0.25%
On-time Delivery	99.2%	98.0%	98.0%
Civilian End Strength	792	787	777
Civilian Full-Time Equivalents	790	794	779
Capital Budget Program			
Equipment (Non-ADPE)	0.580	2.400	2.400
Equipment (ADPE)	0.286	0.915	1.330
Software Development	1.845	3.585	5.143
Minor Construction	0.113	0.300	0.300
TOTAL	2.824	7.200	9.173



DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Document Automation & Production Service  
 Changes in Cost of Operations  
 Fiscal Year (FY) 2009 Budget Estimates  
 February 2008  
 (Dollars in Millions)

	<u>Expenses</u>
FY 07 Actual:	345.3
FY 08 Estimate in President's Budget	426.6
Pricing Adjustments:	
Annualization of FY 07 Pay Raise	0.0
FY 08 Pay Raise	0.2
General Purpose Inflation	(3.2)
Program Changes:	
Civilian Personnel	2.4
Travel of Persons	0.0
Material and Supplies	3.2
Comm'l Equip Purchases	0.6
Capital Investments between thresholds	1.1
Other Purchases from Revolving Funds	(4.0)
Transportation of Things	0.4
Printing and Reproduction	(2.1)
Advisory and Assistance Services	0.1
Rent, Communications, Utilitie	1.6
Other Purchased Services	(2.0)
Depreciation	(1.5)
FY 08 Current Estimate	423.4
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.5
FY 08 Pay Raise	1.2
General Purpose Inflation	6.9
Program Changes:	
Civilian Personnel	(1.0)
Travel of Persons	(0.1)
Material and Supplies	(0.4)
Comm'l Equip Purchases	(0.4)
Capital Investments between thresholds	(0.1)
Other Purchases from Revolving Funds	(0.5)
Transportation of Things	0.0
Printing and Reproduction	(1.0)
Advisory and Assistance Services	0.0
Rent, Communications, Utilities, and Misc	0.0
Other Purchased Services	(0.8)
Depreciation	0.7
FY 09 Current Estimate	428.4

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Document Automation & Production Service  
 Source of Revenue  
 Fiscal Year (FY) 2009 Budget Estimates  
 February 2008  
 (Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders			
a. Orders from DoD Components	280.576	339.368	329.376
Department of the Navy	82.348	99.470	96.541
Operations and Maintenance, Navy	48.466	58.343	56.626
Operations and Maintenance, Marine Corps	16.712	20.285	19.688
O&M, Navy Reserve	2.008	2.437	2.366
O&M, Marine Corps Reserve	0.135	0.164	0.159
Aircraft Procurement, Navy	1.195	1.451	1.408
Shipbuilding & Conversion, Navy	0.236	0.286	0.278
Research, Development, Test & Eval, Navy	0.309	0.375	0.364
Military Construction, Navy	0.115	0.140	0.135
Other Navy Appropriations	0.965	1.171	1.137
Credit Card Purchases, Navy	12.207	14.817	14.381
Department of the Army	73.389	88.717	86.105
Army Operation and Maintenance	22.479	26.921	26.129
O&M, Army Reserve	1.691	2.053	1.992
Army National Guard	1.373	1.667	1.618
Army Res, Dev, Test & Eval Accounts	1.382	1.677	1.628
Army Procurement Accounts	0.778	0.944	0.917
Army Other	0.552	0.670	0.650
Credit Card Purchases, Army	45.134	54.784	53.171
Department of the Air Force	76.523	92.642	89.915
Air Force Operation & Maintenance	31.816	38.376	37.246
O&M, Air Force Reserve	0.958	1.163	1.129
Air Force National Guard	1.670	2.027	1.967
Air Force Res, Dev, Test & Eval Accounts	1.491	1.810	1.757
Air Force Procurement Accounts	1.361	1.652	1.603
Air Force Other	0.360	0.437	0.424
Credit Card Purchases, Air Force	38.867	47.177	45.788
DoD Appropriated Accounts	48.316	58.539	56.815
Operation & Maintenance Accounts	16.705	20.169	19.575
Res, Dev, Test & Eval Accounts	0.560	0.680	0.660
Procurement Accounts	0.314	0.381	0.370
Military Construction, Defense	0.077	0.093	0.091
Defense Health Program	23.048	27.976	27.152
DoD Other	1.594	1.935	1.878
Credit Card Purchases, Defense	6.018	7.305	7.090
b. Orders from other Fund Activity Groups	51.082	62.004	60.179
Navy	14.761	17.917	17.390
Army	1.940	2.355	2.285
Air Force	5.459	6.626	6.431
Other DoD	28.922	35.106	34.072
c. Total DoD	331.658	401.372	389.554
d. Other Orders	19.128	23.218	22.534
Other Federal Agencies	15.969	19.383	18.813
Credit Card Purchases	0.511	0.620	0.602
Non-Federal Agencies and Other	2.648	3.214	3.120
Total New Orders	350.786	424.590	412.088
2. Carry-In Orders	15.546	16.535	19.925
3. Total Gross Orders	366.332	441.125	432.013
4. Funded Carry-Over	16.535	19.925	19.513
5. Total Gross Sales	349.797	421.200	412.500

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Document Automation & Production Service  
Revenue and Expenses  
Fiscal Year (FY) 2009 Budget Estimates  
February 2008  
(Dollars in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<b>Revenue</b>			
Gross Sales	349.797	421.200	412.500
Operations	0.000	0.000	0.000
Capital Surcharge	0.000	0.000	0.000
Depreciation excluding Major Construction	0.000	0.000	0.000
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts (-)	0.000	0.000	0.000
Total Income:	349.797	421.200	412.500
<b>Expenses</b>			
Cost of Material Sold from Inventory	0.000	0.000	0.000
<b>Salaries and Wages:</b>			
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel Compensation & Benefits	56.591	58.867	59.558
Travel & Transportation of Personnel	1.381	2.200	2.100
Materials & Supplies (For Internal Operations)	23.892	24.207	24.307
Equipment	4.924	4.694	4.324
Other Purchases from Revolving Funds	4.822	4.976	4.276
Transportation of Things	1.242	1.591	1.591
Depreciation - Capital	1.853	3.200	3.900
Printing and Reproduction	198.254	252.852	256.906
Advisory and Assistance Services	0.524	0.130	0.130
Rent, Communications, Utilities, & Misc. Charges	8.223	11.133	11.433
Other Purchased Services	43.588	59.550	59.875
Total Expenses:	345.294	423.400	428.400
Operating Result	4.503	(2.200)	(15.900)
Net Operating Result	4.503	(2.200)	(15.900)
<b>Prior Year Adjustments</b>			
Prior Year AOR	23.057	27.560	25.360
Accumulated Operating Result	27.560	25.360	9.460
<b>Non-Recoverable Adjustment Impacting AOR:</b>			
Surcharge Prohibition			
Accumulated Operating Results for Budget Purposes	27.560	25.360	9.460