

DEFENSE WORKING CAPITAL FUND

**DEFENSE-WIDE
FISCAL YEAR (FY) FY 2007
BUDGET ESTIMATES**

OPERATING AND CAPITAL BUDGETS



**FEBRUARY 2006
CONGRESSIONAL DATA**

**DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES**

DEFENSE-WIDE SUMMARY

Defense Agencies operate eight activity groups. The Defense Logistics Agency (DLA) operates four of these activity groups while the Defense Finance and Accounting Service (DFAS) and the Defense Information Systems Agency (DISA) each operate two activity groups.

DFAS was formed in January 1991 from the Military Services finance and accounting functions to improve financial accounting support to DoD-wide activities. This was to reduce costs by adopting standard policies, procedures, forms, data, and systems to streamline/consolidate accounting operations.

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

DLA, formed in the early 1960s, operates the Distribution Depot, Reutilization and Marketing, Supply Management, and the Document Automation and Production Service activity groups. Distribution Depots receive, store, and ship inventory. Reutilization and Marketing functions 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.

DEFENSE-WIDE WORKING CAPITAL FUND CASH

The Defense-Wide Working Capital Fund (DWWCF) includes the four activity groups of the Defense Logistics Agency's Defense Working Capital Fund, the two activity groups of the Defense Finance and Accounting Service (DFAS), the two activity groups of the Defense Information Systems Agency (DISA), and the Defense Security Service (DSS). Beginning in FY 2006, DSS will no longer be an activity of the DWWCF, as their security clearance workload is being absorbed by the Office of Personnel Management (OPM) and the remaining

DSS is now funded in the Operation and Maintenance, Defense Wide appropriation. The DWWCF account will still incur some residual DSS transactions in FY 2006, but will cease DWCF operations during FY 2006. The chart below displays the actual DWWCF cash balance at the end of FY 2005 and balances projected for year-end through FY 2007.

Dollars in Millions	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Beginning of Period, Cash	1,974.5	1,244.4	1,113.6
Disbursements	39,646.1	40,845.1	39,677.5
Collections	38,151.0	40,550.5	39,580.6
Net Outlays	1,495.1	294.6	96.9
Appropriation	1,246.3	2,305.1	17.7
Transfers/Realignments	-481.3	-2,141.3	0.0
Ending of Period, Cash	1,244.4	1,113.6	1,034.4

FY 2005 Cash: The FY 2005 beginning balance reflects \$1,478 million in direct appropriation provided in Title IX of the Department of Defense Appropriations Act, 2005, P.L. 108-287. The timing of the posting to the DWWCF cash, August 2004, resulted in its inclusion the FY 2005 beginning balance. A portion of the appropriation, \$331.3 million, was subsequently realigned in FY 2005 to other non-Defense-Wide Defense Working Capital Fund accounts to which they had been appropriated. The following table provides detail of the \$1,478 million in Title IX FY 2005 direct appropriation.

Title IX, DoD Appropriations Act, 2005	Dollars in Millions
Increased Fuel Costs	966.3
War Reserves	226.1
Unused Plant Capacity	99.7
Spare Parts	65.4
Unused warehouse space costs	48.5
Reutilization, transfer, and disposal	38.8
Fuel Facility Study/Demolition	28.5
Financial Systems Costs	3.9
Commissary Operations	0.7
Impact to FY 2005 DWWCF beginning cash	1,478.0

In FY 2005, the DWWCF experienced net outlays of \$1,495.1 million. The primary driver was Supply Management with outlays of \$1,806.6 million (Energy \$1,500.1 million and Non-Energy \$306.5 million). Energy's outlays were higher than budgeted due to increased fuel product costs and an increase in volume. Non-Energy's outlays were driven by procuring stock to meet customer's future demand.

Through supplemental appropriation contained in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (P.L. 109-13), the DWWCF was provided \$842.3 million for fuel cost increases and \$402.0 million for costs associated with fuel transportation to Iraq; of that amount, \$150.0 million was subsequently transferred to the Army for costs incurred prior to the transfer of the mission to the Defense Logistics Agency DWCF.

An additional \$2.0 million was also provided in the Military Construction Appropriations and Emergency Hurricane Supplemental Appropriations Act, 2005, P.L.108-384. Of that, Energy received \$1.8 million and Distribution received \$0.2 million in emergency hurricane relief support.

The following table provides a breakout of appropriations provided, DWCF realignments, and transfers executed in FY 2005.

FY 2005 Supplemental Appropriations	Dollars in Millions
Increased Fuel Costs	842.3
Fuel Transportation to Iraq	402.0
Hurricane Relief	2.0
FY 2005 Total	1,246.3
FY 2005 DWCF Realignments/Transfers	Dollars in Millions
Realignment to Army WCF	-184.1
Realignment to Navy WCF	-65.4
Realignment to Air Force WCF	-81.1
Realignment to Defense Commissary WCF	-0.7

Transfer to O&M,Army (fuel transportation)	-150.0
FY 2005 DWCF Realignments/Transfers	-481.3

FY 2006 Cash: In FY 2006, DWWCF outlays from operations are projected at \$294.6 million, primarily due to continued high fuel costs.

Appropriations totaling \$2,305.1 million were provided from the Department of Defense Appropriations Act, 2006, P.L. 109-148 (\$2,284.4 million in Title IX), and (\$1.0 million in Division B, Title I, for hurricane recovery costs). An additional \$19.7 million was received in a reprogramming action to fund damage repairs and recovery efforts from the effects of Hurricane Katrina.

Prior to the receipt of the direct appropriation for fuel price increases, the DoD significantly increased fuel rates charged to DoD fuel customer in an effort to mitigate the impact of continued higher fuel costs on DWWCF cash. As a result, the majority of the appropriation provided for increased fuel costs will be transferred to DoD customers who are paying the higher fuel rates. The Realigned/Transfer amount is \$58.7 million less than the \$2.2 billion, as \$58.7 million of the Bridging Supplemental fuel appropriation is retained by DLA Energy for first quarter FY 2006 fuel costs greater than the adjusted fuel selling price.

FY 2006 Appropriations	Dollars in Millions
Increased Fuel Costs	2,200.0
Unused warehouse space costs	47.6
Reutilization, transfer, and disposal	35.4
Financial Systems Costs	1.4
Hurricane Relief	20.7
FY 2006 Total Appropriations	2,305.1
FY 2006 Realignments/Transfers	Dollars in Millions
DoD Fuel customer to pay higher rates	-2,141.3
Total FY 2006 Realignments/Transfers	-2,141.3

FY 2007 Cash: In FY 2007, DWWCF outlays from operations are projected at \$96.9 million. \$17.7 million is requested in FY 2007 DWWCF appropriations in support of reutilization, transfer, and disposal costs and financial systems costs.

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL

SOURCE OF NEW ORDERS AND REVENUE

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES

FEBRUARY 2006

(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders:			
a. Orders from DoD Components			
Army	11,155.2	11,095.3	10,538.8
Navy	6,437.4	7,382.1	7,160.3
Air Force	8,731.3	11,257.4	11,074.5
Marine Corps	1,110.3	1,261.6	1,177.3
Other	2,707.0	2,831.1	2,801.9
b. Orders from Other Fund Activity Group	3,769.7	3,611.0	3,330.4
c. Total DoD	33,910.9	37,438.5	36,083.2
d. Other Orders:			
Other Federal Agencies	1,536.1	1,442.0	1,718.7
Trust Fund	0.0	0.0	0.0
Exchange Activities	0.0	0.0	0.0
Non Federal Agencies	806.1	841.4	482.2
Foreign Military Sales	853.1	1,045.5	1,076.8
2. Carry-In Orders	2,661.3	2,395.8	2,258.6
3. Total Gross Orders	39,767.5	43,163.2	41,619.5
4. Funded Carry Over	15.2	16.9	17.6
5. DRMS Sales Proceeds	87.5	77.8	79.2
6. Total Gross Sales	39,839.8	43,224.1	41,681.1

DEFENSE-WIDE WORKING CAPITAL FUND
SUMMARY
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
REVENUE AND EXPENSES
FEBRUARY 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue:			
Gross Sales	37,555.1	40,970.0	39,647.4
Operations	37,195.5	40,520.4	39,289.6
Capital Surcharge	100.3	150.8	22.5
Depreciation excluding Major Construction	259.3	298.8	335.3
Major Construction Depreciation	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0
Other Income	762.5	864.1	799.2
Refunds/Discounts (-)	(581.9)	(682.6)	(663.1)
Total Income	37,735.7	41,151.5	39,783.5
Expenses:			
Cost of Materiel Sold from Inventory	25,767.8	27,122.3	26,334.4
Materiel-Related	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	65.4	61.9	61.0
Civilian Personnel Compensation & Benefits	2,643.5	2,860.6	2,826.2
Travel & Transportation of Personnel	83.4	91.7	89.2
Materials & Supplies (For Internal Oper)	332.3	355.3	355.4
Equipment	113.3	117.1	119.0
Other Purchases from Revolving Funds	1,167.6	1,286.5	1,210.8
Transportation of Things	2,364.2	1,971.1	1,751.3
Major Maintenance & Repair	0.0	0.0	0.0
Depreciation - Capital	292.1	328.9	370.3
Printing & Reproduction	252.3	279.8	297.4
Advisory and Assistance Services	14.5	9.4	17.4
Rent, Communication, Utilities, & Misc.	1,955.3	2,008.4	2,001.9
Other Purchased Services	4,016.6	4,768.5	4,696.9
Total Expenses	39,068.3	41,261.5	40,131.2
Operating Result	(1,332.6)	(110.0)	(347.7)
Less Capital Surcharge Reservation	(100.3)	(150.8)	(22.5)
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	1,039.9	(217.1)	(176.2)
Net Operating Result (NOR)	(393.0)	(477.9)	(546.4)
Prior Year Adjustments	0.0	0.0	0.0
Other Changes Affecting AOR	0.0	0.0	(161.0)
Prior Year AOR	1,316.3	923.1	419.0
Accumulated Operating Result (AOR)	923.3	445.2	(288.4)
Non-Recoverable Adjustments Impacting AOR	0.0	(26.3)	0.0
Accumulated Operating Results for Budget Purposes	923.3	418.9	(288.4)

DEFENSE FINANCE AND ACCOUNTING SERVICE

OVERVIEW

The Defense Finance and Accounting Service (DFAS) is the world's largest finance and accounting operation. Our mission is to provide responsive, professional finance and accounting services to the men and women who defend America. We work in partnership with defense agencies, the military services, and the combatant commands to provide timely business information to key decision makers. Whether it is for the individual member or a service component, our focus is getting the right information to our customers so that they can effectively manage their resources at home and overseas. We provide for our customers' needs today while anticipating how these needs will evolve for tomorrow. To serve our customers' needs we must perform multiple roles and provide a diverse set of services.

The DFAS team performs an important role while America is mobilized in Iraq and Afghanistan. We focus on the finance and accounting needs of the military services allowing the warfighters to concentrate on their mission. Our commitment to the warfighters goes beyond just performing services to allow them to do their primary mission. Our commitment is to perform finance and accounting services at the lowest cost in a timely manner with a high degree of accuracy. To accomplish this, we employ, and continue to pursue, electronic processes allowing our customers to process most daily transactions through electronic means.

Our 30 locations around the world and internet sites allow for easy access wherever a customer may be. Our military (Active, Reserve, Guard and Retired) and civilian (DoD and non-DoD) customers can access their payroll information anywhere they have a secure internet connection. Payroll changes are accomplished through this connectivity as are delivery of the members pay statement and W-2. Civilian customers have access to enter time and attendance using the internet. In addition, all supported customers are able to process their travel claims through the internet, saving them time and expediting payments of travel claims.

Our vendors are important. We continue to efficiently process invoices for goods and services in an accurate and timely manner. Our 30 locations around the world and internet sites allow for easy access wherever a customer may be. During

FY 2005, we processed more than 14.2 million invoices. We have consistently reduced the amount of interest payment penalties to \$137 per million dollars disbursed, down from \$160 in FY 2003 and \$138 in FY 2004. The percentage of over aged invoices has declined to 1.9% in FY 2005, down from 3.7% in FY 2003 and 2.6% in FY 2004. We are dedicated to increasing the use of electronic commerce (electronic receipt of contracts, invoices and receiving reports) to reduce cycle time, errors and rework, support E-government and increase auditability. Improvements in these areas reduce customer bills, allowing additional resources to support the warfighter.

Our accounting services are vital to our mission. During FY 2005, we processed over 145 million accounting transactions and disbursed over \$460 billion. We reduced the time to deliver accounting reports, achieving a one day reduction in FY 2005. We managed more than \$197 billion in the Military Retirement Trust Fund earning nearly \$11 billion (5.52%) and \$60 billion in the Medicare-Eligible Retire Health Care Fund, earning over \$2.1 billion (3.61%). We are pursuing initiatives that will enhance our value to the customer by improving service and reducing costs.

Information and technology is fundamental and critical to our operations. We have an information and technology function that supports our mission through the use of technology, innovation, and best business practices. Virtually all of our employees use information systems and infrastructure services to accomplish their daily jobs. Failures of these systems and infrastructure services can cripple or compromise our ability to compute entitlements and disburse and account for funds on behalf of the nation's defense budget. Today, information and technology expenditures are a large component of our annual budget. These facts coupled with the continued evolution of technology and the potential to enable major improvements in our business practices necessitate continuous top management focus on information and technology planning, systems development/maintenance and daily infrastructure operations.

The Base Realignment and Closure (BRAC) determination coupled with our agency transformation initiatives compliment our desire to provide finance and accounting services at the lowest cost by maximizing efficiency through reorganization of people and processes. Transformation during BRAC will allow DFAS to achieve an optimal distribution of workload, improve oversight and control, eliminate redundant systems and sustain successful mission operations.

We are engaged in a proactive approach to transformation to deliver the best finance and accounting service to customers. DFAS will leverage the BRAC decisions to enable us to transform the operational structure and business processes while shedding excess capacity. We will use transformation to implement the strategic goals of improving operational performance and service while also improving the availability, visibility and usefulness of financial management information.

DFAS MAJOR ACTIVITIES AND LOCATIONS

Financial Operations Business Area:

<u>Business Line</u>	<u>Location</u>
Corporate Elements/Support	Arlington, Virginia
Military & Civilian Pay Services	Indianapolis, Indiana
Commercial Pay Services	Columbus, Ohio
Accounting - Air Force	Denver, Colorado
Accounting - Army	Kansas City, Missouri
Accounting - Navy	Cleveland, Ohio
Accounting - Marine Corps	Indianapolis, Indiana
Accounting - Defense Agencies	Columbus, Ohio
Information and Technology	Arlington, Virginia
Acquisition Management Organization	Arlington, Virginia

Information Services Business Area:

<u>Business Line</u>	<u>Location</u>
Technology Services Organization (TSO)	Kansas City, Missouri

OPERATIONS BUDGET BY ACTIVITY GROUP

Financial Operations Budget Activity Group:

The Financial Operations business area is composed of the three major business lines highlighted above - 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 following table identifies costs, revenue, and workforce data for FY 2005 through 2007:

(Dollars in Millions)			
<u>Funding:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Costs	1,614.8	1,691.3	1,529.7
Revenue	1,619.8	1,697.5	1,530.5
 <u>Personnel:</u>			
Civilian End Strength (E/S)	12,653	12,286	11,266
Civilian Workyears (WYs)	12,394	12,519	11,431
Military End Strength	382	347	249

FY 2006 President's Budget to FY 2006 Revised Current Estimate:

DFAS continues to reduce workyears and overhead costs. The increase is a result of inflation and a \$32 million increase in non-rate base workload for the Army Reserve and National Guard.

FY 2006 President's Budget to FY 2007 Revised Current Estimate:

Overall costs reflect a decrease of \$5.3 million which result from an increase in inflation and workload for the Army Reserve and National Guard and a decrease in Defense Information Systems Agency (DISA)/Defense Information Systems Network (DISN) and Technology Services Organization (TSO).

FY 2006 Estimate to FY 2007 Estimate: Overall costs reflect a decrease of \$162 million that is directly attributed to the impact of the anticipated reduction of civilian and military personnel, decreased transportation, capital program decrease allowing reduction in depreciation, reductions in Central Design Activity (CDA) expense due to the Technology Services Organization (TSO) rate reductions, the TSO transfer and a shifting of processing work manually to an electronic processing environment.

FINANCIAL OPERATIONS**(Dollars in Millions)**

Costs by Output Category	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian Pay Accounts Maintained	65.8	66.6	58.4
Active Military Pay Accounts	160.6	162.6	147.4
Military Pay Incremental	41.5	42.0	43.5
Retired Military Pay Accounts	53.7	54.4	55.0
Reserve Military Pay Accounts	49.5	50.1	42.7
Contract Invoice - MOCAS	83.4	84.4	73.5
Travel Vouchers	37.7	38.1	32.2
Commercial Invoices	167.6	169.7	135.9
Debt Cases	23.2	23.5	24.4
Direct Billable Hours	746.3	755.6	701.0
Accounting and Finance Support to Commissaries	8.9	9.0	8.6
Contract Payments - SAMMS	15.8	16.0	14.7
Contract Payments - DECA	3.7	4.4	4.3
Contract Payments - DITCO	3.6	4.4	4.3
FMS	27.0	27.4	25.8
Transportation Bills Paid	14.2	14.4	12.7
Garnishments	12.2	12.4	12.8
ePayroll	-	20.6	28.4
Support to Others	100.1	135.7	104.1
Total Costs	1,614.8	1,691.3	1,529.7

The DFAS's output categories cover a broad range of accounting and financial activities and services. All outputs except Support to Others are workload driven and thus have individual unit cost rates. The output entitled Support to Others is managed on a cost reimbursable basis.

FINANCIAL OPERATIONS**(Numbers in Millions)**

Workload by Output Category	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian Pay Accounts Maintained	18.0	17.7	17.7
Active Military Pay Accounts Maintained	18.5	19.0	18.9
Military Pay Incremental	5.1	5.3	5.3
Retired Pay Accounts Maintained	32.2	32.9	31.8
Reserve Military Pay Accounts Maintained	12.0	12.5	12.5
Contract Payments - MOCAS	2.2	2.2	2.2

Travel Vouchers Paid	6.6	7.0	7.0
Commercial Payments	10.3	10.8	10.6
Out of Service Debt Cases			
Managed	3.7	4.1	3.7
Direct Billable Hours	8.2	8.1	7.4
*Accounting and Finance Support			
to Commissaries	.0	.0	.0
Contract Payments - SAMMS	5.9	5.8	5.7
Contract Payments - DECA	3.1	2.0	2.0
Contract Payments - DITCO	.0	1.6	1.6
FMS Cases Managed	.2	.4	.4
Transportation Bills Paid	.9	.9	.9
Garnishments	.0	.0	.4
Civilian Pay (ePayroll)	.0	5.2	8.4
*Please note workload is too		3,420	
small to represent in millions.	3,432.0	.0	3,432.0

Net Operating Results - Financial Operations

(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	1,619.8	1,697.5	1,530.5
Costs	1,614.8	1,691.3	1,529.7
NOR	5.0	6.2	0.8

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 2005 through 2007:

(Dollars in Millions)

<u>Funding:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Costs	176.7	170.5	127.2
Revenue	172.7	169.0	115.3
<u>Personnel:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian End Strength (E/S)	965	971	759
Civilian Workyears (WYs)	982	971	759
Military End Strength	14	9	0

FY 2006 President's Budget to FY 2006 Revised Current Estimate: In the FY 2006 Budget Estimate we proposed merging our Information Services with our Financial Operations. However, due to systems and process issues we have delayed the merger until FY 2008. The \$170.5 million restores the baseline program for the Information Services as a separate working capital fund entity.

FY 2006 Estimate to FY 2007 Estimate: Overall costs reflect a decrease of \$43.3 million which is directly attributed to the Technology Services Organization-Kansas City (TSO-KC) - Marine Corps transfer that is to begin in FY 2007.

INFORMATION SERVICES

	<u>Dollars in Millions</u>		
Costs by Output Category	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Direct Billable Hours	.154.8	.148.9	.106.6
Support to Others	. 21.9	. 21.6	. 20.6
Total Costs	.176.7	.170.5	.127.2

DFAS Information Services' output categories cover direct billable hours and support to others. The output entitled Support to Others is not a workcount driven and is managed on a cost reimbursable basis. In general, the DFAS workload continues to decrease in consonance with projected customer dollar and personnel resources.

INFORMATION SERVICES

	<u>Numbers in Millions)</u>		
Workload by Output Category	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
Direct Billable Hours	2.1	2.0	1.4

In FY 2005 DFAS plans for an increase in the actual net operating result. FY 2006 and FY 2007 reflect our commitment to continued cost containment and best value to our customer.

Net Operating Results - Information Services
Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	172.7	169.0	115.3
Costs	176.7	170.5	127.2
NOR	(4)	(1.5)	(11.9)

Fiscal Year (FY) 2007 Budget Estimates
Changes in the Costs of Operation
Component: Defense Finance and Accounting Service
Business Area: Information Services
Date: February 2006
(Dollars in Millions)

	Expenses
FY 2005 Actual:	176.7
FY 2006 Estimate in President's Budget:	0.0
Program Changes:	
Other:	0.0
FY 2006 Current Estimate	0.0
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	0.0
FY 2006 Pay Raise	
Civilian Personnel	0.0
General Purchase Inflation	0.0
Productivity Initiatives and Other Efficiencies:	
Process Improvements	0.0
DFAS Savings determined by OUSD	0.0
Program Changes:	
*Restore Programming for Information Services	170.5
Other Changes:	0.0
FY 2006 Total Revised Cost Estimate:	170.5
FY 2007 Estimate	
Pricing Adjustments:	
FY 2007 Pay Raise	
Civilian Personnel	0.6
General Purchase Inflation	0.1
Productivity Initiatives and Other Efficiencies:	
Program Changes:	
TSO-KC - Marine Corps transfer	(36.5)
Program Adjustment	(7.5)
Other Changes:	
Revised Cost Estimate:	(44.0)
FY 2007 Total Revised Cost Estimate:	127.2

Fiscal Year (FY) 2007 Budget Estimates
 Changes in the Costs of Operation
 Component: Defense Finance and Accounting Service
 Business Area: Financial Operations
 Date: February 2006
 (Dollars in Millions)

	Expenses
FY 2005 Actual:	1,614.8
FY 2006 Estimate in President's Budget:	1,651.1
Program Changes:	
Other:	0.0
 FY 2006 Current Estimate	 1,651.1
Pricing Adjustments:	
FY 2006 Pay Raise	
Civil Civilian Personnel	5.6
General Purchase Inflation	2.8
Productivity Initiatives and Other Efficiencies:	
Process Improvements	0.0
Program Changes:	
Support to Others	31.8
Other Changes:	0.0
FY 2006 Total Revised Cost Estimate:	1,691.3
 FY 2007 Estimate	
Pricing Adjustments:	
FY 2007 Pay Raise	
Civilian Personnel	5.8
General Purchase Inflation	3.1
Productivity Initiatives and Other Efficiencies:	
Directed Offsets-Navy	(10.0)
Program Changes:	
Military Labor Reduction - Military	(3.0)
FTE Reduction	(54.0)
Travel	(1.0)
Supplies/Transportation	(0.4)
Depreciation	(6.0)
CDA Expenses	(12.5)
DISN/DISA Reductions	(12.0)
TSO-KC - Marine Corps transfer	(8.6)
Suppot To Others	(32.0)
Other Purchases	(31.0)
Other Changes:	
Revised Cost Estimate:	(170.5)
FY 2007 Total Revised Cost Estimate:	\$1,529.7

DFAS Fiscal Year (FY) 2007 Budget Estimates
Source of Revenue
Defense Finance and Accounting Service
Business Area: Information Services
Date: February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
a. Orders From DoD Components:			
Air Force, O & M	-	0.1	0.1
Navy, O & M	11.1	8.9	9.2
Marine Corps, O & M	28.0	26.2	28.8
b. Orders From Other Fund Business Areas:			
DFAS Financial Operations	119.0	122.2	65.7
DLA and DoD Agencies	7.5	4.0	5.7
Air Force, DWCF	7.1	7.6	5.8
Navy, DWCF	-	-	-
c. Total DoD:	172.7	169.0	115.3
d. Other Orders:	-	-	-
 Total New Orders	 172.7	 169.0	 115.3
2. Carry-In Orders	-	-	-
3. Total Gross Orders:	172.7	169.0	115.3
4. Revenue (-)	172.7	169.0	115.3
5. End of Year Work-in-Process (-)	-	-	-
6. Direct Contract Obligations (-)	-	-	-
7. Non-DoD, BRAC, FMS and DWCF Orders (-)	-	-	-
8. Funded Carry-Over	-	-	-
9. Months of Carryover	-	-	-

DFAS Fiscal Year (FY) 2007 Budget Estimates
Source of Revenue
Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 2006
(Dollars in Millions)

a. Orders from DoD Components:	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
O&M, DW - Armed Forces Information Service	1.1	1.0	1.0
O&M, DW - Army Corps of Engineers	2.8	3.2	3.2
O&M, DW - National Defense University	0.4	0.6	0.6
O&M, DW - Defense Acquisition University	0.3	0.5	0.4
O&M, DW - Defense Technology Security Administration (DTSA)	0.2	0.2	0.2
RDT&E, DW - Missile Defense Agency	3.0	3.9	4.0
RDT&E, DW - Defense Advance Research Projects Agency	2.1	2.0	2.2
O&M, DW - Defense Contract Audit Agency	3.6	4.7	4.7
O&M, DW - Defense Contract Management Activity	7.0	7.0	6.5
O&M, DW - Defense Health Program	37.7	40.4	35.1
O&M, DW - DoD Human Resources Activity	1.2	0.7	0.6
O&M, DW - Defense Information Systems Agency (DISA)	7.5	11.2	11.2
O&M, DW - Defense Information Technology Contracting Office	3.6	5.7	5.6
O&M, DW - Defense Intelligence Agency	0.8	0.8	0.9
O&M, Defense Logistics Agency (DLA)	3.7	6.8	6.3
O&M, DW - Defense Technical Information Center	1.1	0.7	0.7
O&M, DW - Defense Threat Reduction Agency	1.6	4.0	4.4
O&M, Air Force	265.6	256.3	270.2
O&M, Army	624.7	603.0	496.5
O&M, Navy	234.7	243.0	212.6
O&M, Navy Reserve	3.6	4.6	3.9
RDT&E, Navy	2.9	3.3	2.9
O&M, DW - DoD Education Activity	5.3	8.3	8.3
O&M, DW - DoD Inspector General	0.7	1.4	1.4
DOT - Coast Guard	0.1	0.1	0.1
O&M, DW - Defense Prisoner of War/Missing Personnel Office	0.4	0.3	0.3
O&M - Office of Economic Adjustment	0.3	0.3	0.3
O&M, DW - Executive Office of the President	0.2	0.2	0.2
O&M, DW - National Geospatial Agency (NIMA)	2.5	1.6	1.6
O&M, DW - National Security Agency	0.7	1.0	1.1
O&M, DW - Office of the Joint Chiefs	1.1	1.1	1.2
Defense Agencies (Other)	-	-	-
O&M, DW - Center for Countermeasures	0.1	0.1	0.2
O&M, DW - Marine Corps	81.2	86.2	68.2
O&M, DW - Washington, Headquarters Services (WHS)	3.1	17.4	17.1
O&M, DW - Defense Security Service (DSS)	0.1	0.1	0.1
O&M, DW - WHS (BMSI)	-	-	-

DFAS Fiscal Year (FY) 2007 Budget Estimates
Source of Revenue
Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 2006
(Dollars in Millions)

	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
b. Orders from Other Fund Activity groups			
WCF, C - Defense Commissary Agency	19.0	21.7	21.2
WCF, DW - DFAS Financial Operations	1.3	5.7	5.7
WCF, Army	45.9	39.7	43.7
WCF, Air Force	17.8	34.1	34.0
WCF, Navy - Air Warfare Center	3.8	3.9	2.9
WCF, Navy - Base Support	11.8	12.8	15.4
WCF, Navy - Naval Aviation Depots	6.9	7.9	10.9
WCF, Navy - Navy Research Laboratory	0.7	1.0	0.8
WCF, Navy - Shipyards	2.9	8.7	3.3
WCF, Navy - Space and Naval Warfare Systems Command (SPAWAR)	4.2	6.0	4.4
WCF, Navy - Supply Management	10.1	17.4	8.1
WCF, Navy - Surface Warfare Center	11.9	14.6	10.0
WCF, Navy - Undersea Warfare Center	2.3	4.1	2.7
WCF, DW - Defense Logistics Agency (DLA)	11.1	5.8	5.7
WCF, DW - DLA Defense Distribution Center	5.1	5.3	5.3
WCF, DW - Document Automation and Production Service	3.1	5.9	5.9
WCF, DW - DLA Reutilization and Marketing Service	2.8	4.2	4.9
WCF, DW - DLA Supply Management	48.7	54.2	52.3
Transaction Fund, DLA-DNSC	-	-	0.5
WCF, DW - USTRANSCOM	9.0	11.8	11.6
WCF, DW - Military Housing Privatization Initiative	0.2	0.3	0.4
WCF, DW United States Soldier's and Airmen's Home	-	-	-
PFPA, Pentagon Force Protection Agency	-	0.3	0.3
c. Total DoD:			
d. Other Orders			
Other - Foreign Military Sales (FMS) - Defense Security Cooperation Agency	27.9	30.3	28.9
Other - Non-DoD Agencies	68.3	80.1	77.8
WCF, DW - DFAS Information Services	-	-	-
Total New Orders	1,619.8	1,697.5	1,530.5

DFAS Fiscal Year (FY) 2007 Budget Estimates
Revenue and Expenses
Component: Defense Finance and Accounting Service
Business Area: Information Services
February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY2006</u>	<u>FY2007</u>
Revenue			
Gross Sales			
Operations	171.4	168.1	114.3
Capital Surcharge			
Depreciation exc Maj Const	1.3	0.9	1.0
Major Construction Dep			
Other Income			
Refunds/Discounts (-)			
Total Income:	172.7	169.0	115.3
Expenses			
Cost of Material Sold from Inventory (DeCA)			
Salaries and Wages:			
Military Personnel Comp & Benefits	0.5	0.6	0.0
Civilian Personnel Comp & Benefits	94.8	95.8	74.0
Travel & Transportation of Personnel	1.3	2.2	1.8
Materials & Supplies (Internal Operations)	0.8	1.6	1.4
Equipment	0.9	1.1	0.6
Other Purchases from Revolving Funds	3.9	5.8	4.5
Transportation of Things	0.0	0.0	0.0
Depreciation - Capital	1.3	0.9	1.0
Printing and Reproduction	0.2	0.3	0.2
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Comm, Utilities, & Misc Charges	3.0	2.8	1.9
Other Purchased Services	69.8	59.4	41.7
Total Expenses	176.7	170.5	127.2
Operating Result	-4.0	-1.5	-11.9
Less Capital Surcharge Reservation			
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR/AOR *			
Net Operating Result	-4.0	-1.5	-11.9
PY AOR	17.4	13.4	11.9
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Results	13.4	11.9	0.0

DFAS Fiscal Year (FY) 2007 Budget Estimate
Revenue and Expenses
Component: Defense Finance and Accounting Service
Business Area: Financial Operations
February 2006
(Dollars in Millions)

	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
Revenue			
Gross Sales			
Operations	1,506.7	1,587.5	1,426.7
Capital Surcharge			
Depreciation exc Maj Const	113.1	110.0	103.8
Major Construction Dep			
Other Income			
Refunds/Discounts (-)			
Total Income:	1,619.8	1,697.5	1,530.5
Expenses			
Cost of Material Sold from Inventory (DeCA)			
Salaries and Wages:			
Military Personnel Comp & Benefits	16.7	12.6	9.8
Civilian Personnel Comp & Benefits	858.7	869.9	815.2
Travel & Transportation of Personnel	20.6	24.0	21.2
Materials & Supplies (Internal Operations)	12.7	9.6	9.1
Equipment	1.1	3.1	3.5
Other Purchases from Revolving Funds	256.3	249.1	206.9
Transportation of Things	1.3	1.8	1.5
Depreciation - Capital	113.1	110.0	103.8
Printing and Reproduction	9.4	11.1	10.9
Advisory and Assistance Services	4.4	6.3	6.3
Rent, Comm, Utilities, & Misc Charges	59.8	71.0	72.5
Other Purchased Services	260.7	322.8	269.0
Total Expenses	1,614.8	1,691.3	1,529.7
Operating Result	5.0	6.2	0.8
Less Capital Surcharge Reservation			
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR/AOR *			
Net Operating Result	5.0	6.2	0.8
PY AOR	149.0	154.0	160.2
Other Changes Affecting AOR	0.0	0.0	-161.0
Accumulated Operating Results	154.0	160.2	0.0

DEPARTMENT OF DEFENSE DEFENSE INFORMATION SYSTEMS AGENCY

Defense Working Capital Fund (DWCF) Defense Computing Services

FISCAL YEAR 2007 PRESIDENT'S BUDGET

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

Within the continental United States the computing centers at Mechanicsburg, PA, Montgomery, AL, Oklahoma City, OK, and Ogden, UT are configured as Systems Management Centers (SMCs). Centers at Columbus, OH and San Antonio, TX are configured as Infrastructure Support Centers, and those at Chambersburg, PA, Dayton, OH, Denver, CO, Huntsville, AL, Jacksonville, FL, Norfolk, VA, Rock Island, IL, San Diego, CA, St. Louis, MO, and Warner Robins, GA are configured as smaller, remotely-managed Processing Elements. Overseas there are two DECCs (SMCs), one in Europe and one in Hawaii. The DECCs rely on highly skilled and experienced teams of government and contractor personnel to manage hardware and software 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. As an integral component of the Global Information Grid (GIG), Defense Computing Services provides 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.

Information processing and information technology are strategic to achieving information superiority to attain full spectrum dominance. Information, information processing, and communications networks are at the core of every military activity. The GIG provides the network-centric environment required to achieve this goal. The GIG is the globally interconnected, end-to-end set of information capabilities, associated processes, and people to manage and provide information on demand to warfighters, policy makers, and support personnel. It enhances combat power and contributes to the success of noncombatant military operations as well. DISA's computing operations are integral components of the GIG. To ensure information superiority, security, and availability, these capabilities must be under the military ownership and control that allows them to operate at a tempo that allows the force to shape the situation or react to changes and accomplish its mission, and to protect against the information operations of an opponent.

DISA provides computer 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 housed on DISA's 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
- Support DoD business and eBusiness processes

Applications are developed by Services' and Agencies' central design activities. Despite the sometimes mission specific nature of the applications, DISA provides common computing platforms, networks, and enterprise systems management tools that standardize the underlying infrastructure and integrate the combat support business processes they support. Using the global reachback provided by Defense Information System Network (DISN), a joint task force can plug into this common computing infrastructure and be assured of receiving fully interoperable support. Through the Global Command and Control System, the Global Combat Support System, and a common communications and computing infrastructure, DISA 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.

DISA's 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 gain economies of scale. Additionally, DISA has aggressively pursued an "assured computing" philosophy designed to ensure that information and mission-critical applications are continuously available for customers. This initiative reflects the new security environment in which DoD operates.

Effective in FY 2006, Computing Services will manage its financial condition using three lines of business: IBM, Unisys, and Server. A Storage line of business is being notionally introduced in FY 2006 for technical engineering solutions and the development of an associated rate structure for Storage services in the out years.

This budget request reflects several major initiatives, as discussed below:

Server Rates. Computing Services is introducing composite stabilized fixed billing rates for server operations. In FY 2006, the rates will be notional. Beginning in FY 2007, Computing Services will begin to charge customers using the stabilized fixed server rates. The pricing structure uses "operating environments" as the unit of measure. An operating environment equates to an instance of the operating system, typically on either a UNIX or Windows server. More details follow in the rate section of this narrative.

Increased server workload. Both direct costs and capital investments reflect a significant increase in server workload. The server environment is an "Open Environment" as opposed to

the mainframe legacy environment. This flexibility is appealing to our customers, hence the continued increase in server workload. The most notable increases, support Air Force, Defense Logistics Agency (DLA), Army, Military Health Services, and Military Personnel applications.

Managed Services. This budget reflects a continued effort to use managed services acquisition capabilities to fulfill some program requirements. Under this concept, Computing Services partners with private industry to provide the hardware and operating software capacity and continued maintenance as required. Computing Services then runs the operations for the customers. This approach is intended to allow DISA to take advantage of market efficiencies and flexibility, and to minimize costly investment in capital assets. Computing Services' dynamic server workload should be easily adaptable to this new approach, especially for new work that emerges during the execution year. A total of \$56.4 million is included in FY 2006 operating costs, and \$65.1 million in FY 2007 for managed services contracts.

Staffing Levels. Civilian staffing levels are expected to increase over this budget period commensurate with both increasing workload and increasing security requirements. Over the FY 2003-2005 timeframe, the Computing Services business area completed its Transformation plan, achieving staffing efficiencies through site consolidations, and through investments in more efficient technologies allowing for remote management. Now that these personnel economies have been achieved, civilian staffing levels are adjusted based on workload. Additional details may be found in the Civilian Personnel section of this narrative.

OPERATING BUDGET

(\$ in Millions)	FY 2005	FY 2006	FY 2007
Revenue	\$599.3	\$698.6	\$687.1
Costs	\$612.5	\$702.7	\$725.0
Net Operating Results	(\$13.2)	(\$4.1)	(\$37.9)
Prior Year AOR	\$78.6	\$65.4	\$61.3
Ending AOR	\$65.4	\$61.3	\$23.4

MAJOR CHANGES BETWEEN FISCAL YEAR ESTIMATES

FY 2006 President's Budget Submission to FY 2006 Current Estimate

Net cost of operations remains virtually unchanged from the FY 2006 President's Budget. However, workload estimates have shifted slightly. The principal drivers for increased mainframe and server workload are Air Command and Control email consolidation, several programs for the Army, the Defense Integrated Military Human Resources system, Mechanization of Contract Administration Services, Defense Logistics Agency's Business Systems Modernization, Wide Area Workflow, and the Special Purpose Gateway, which ensures continuity of web-based transactions in the face of the "hacking" threat. In addition, though the Transformation plan called for discontinuing provision of base communications services in the Columbus metropolitan area, these services will continue to be provided, at the request of the other DoD components in that area (principally DLA). Partially offsetting these increases is a

reduction in the previously anticipated Net Centric Enterprise Services workload, reflecting continued requirements refinement.

Increases have been programmed for contracted technical support, hardware/software maintenance, and for depreciation of capital purchases for new workload and technical refreshment. While civilian staffing does increase, this budget also reflects a reduction to the workyear utilization rate, a technical correction to the high rate reflected in the President's Budget caused by the unexpectedly high attrition of late FY 2004. Workyears and labor costs are therefore reduced in this submission. End strength, however, has been increased to incorporate post-Transformation requirements as discussed below in the Civilian Personnel section.

FY 2006 Current Estimate to FY 2007 Current Estimate

Cost of operations is currently projected to increase from FY 2006 to FY 2007 by a total of \$22.3 million, of which \$11.7 million is due to pay raise and inflation. A total of \$22.3 million of increased costs are attributable to customer-driven server workload for Net-Centric Enterprise Services transitioning from testing to initial production, several Army programs, DLA's Business Systems Modernization, Defense Integrated Military Human Resources systems, and Wide Area Work Flow. In addition, there is new workload for the family of services for Global Command and Control System - Joint in FY 2007. As a result of the increased capital program over the past several years, depreciation expenses increase. Decreases in cost estimates include the completion of Transformation initiatives and the implementation stage of Air Forces's Air Combat Command System. Another \$3.9 million cost decrease is associated with savings from consolidating software for IBM mainframe operations.

CAPITAL INVESTMENT PROGRAM

(\$ in Millions)	FY 2005	FY 2006	FY 2007
Program Authority	\$98.3	\$98.3	\$65.7

DISA Computing Services' Capital Program includes estimates to support the purchase of hardware and software for the IBM, Server, and Storage lines of business, as well as non-ADP equipment supporting the DECC infrastructure. The capital program is projected in the budget years based on the customer requirements known at the time of the submission. DISA's goal is to meet all funded customer requirements in supporting information technology services. However, during execution, customer requirements arrive dynamically and out-of-cycle from the budget process. As discussed above, the business area is transitioning to more Managed Services contracts, allowing for a reduction in the FY 2007 capital request as depicted in the table.

FY 2006 President's Capital Budget Submission to FY 2006 Current Estimate

The current FY 2006 estimate reflects no change in total dollars from the President's Budget submission. However, due to the dynamic nature of information technology, the Computing Services business area expects to invest an additional \$12.2 million in servers for customers such as the Defense Logistics Agency, the Defense Finance and Accounting Service, the Army, and the White House Communications Agency. The investments will be for new hardware components to accommodate new applications that DISA's customers are placing into

production in the Computing Centers. Items include Intel and Unix servers, processor boards (CPUs), memory boards, embedded disk storage, networking switches, fiber channel cabling, and software products packaged with equipment (such as operating systems). Another increase since the FY 2006 President's Budget is \$1.5 million for facilities' equipment, most notably for the DECC in Europe. In order to accommodate the increased server and equipment requirements, capital funds are realigned from systems management, IBM technical refresh, and minor construction projects.

FY 2006 Current Estimate to FY 2007 Current Estimate

The FY 2007 capital budget current estimate is \$65.7 million. This reflects approximately \$14.2 million for IBM Technical Refreshment, \$11.9 million for Systems Management and \$18.1 million for anticipated Storage Technical Refreshment requirements. Systems management refers to the tools which allow enterprise wide and remote management by Systems Management Centers. Technical refreshment and capacity increases are included in the budget for existing equipment to extend useful life. In the future, as IBM and storage equipment becomes obsolete, replacement equipment is expected to be incorporated under a managed services contract. The Server-Customer line of business is budgeted for \$6.5 million, which is a dramatic decrease from previous years. This decrease in server capital requirements is also directly attributed to the planned use of managed services acquisition. Facilities equipment requirements total \$6.4 million: facilities projects tend to be cyclical, and FY 2007 requirements are lower than FY 2006.

CASH MANAGEMENT OF DISA BUSINESS AREAS

The following table depicts anticipated cash balances through the end of FY 2007 for both of DISA's business areas, Telecommunications and Enterprise Acquisition Services, and Computing Services. The approximately \$600 million decrease over the next two years is principally due to three causes:

1. Liquidation of FY 2005 advanced billings in both business areas, (\$181.4 million). Advanced billings were directed in FY 2005 by the Undersecretary of Defense (Comptroller) to ensure Defense Working Capital Fund liquidity. It is anticipated that these revenues will be earned during FY 2006.
2. Return of FY 2005 and prior year accumulated profits to customers via reduced rates, (\$202 million). To return the profits, revenue/rates are set below costs, thus decreasing collections and cash.
3. Capital outlays greater than income from depreciation, (\$261.3 million). The principal driver for this is the cessation of depreciation costs in DISN rates, while outlays continue over this period for FY 2003, 2004, and 2005 capital projects.

The projected balance of \$285.6 million represents about ten days of cash available for operations plus approximately six months of capital outlays for DISA's two business areas, Computing Services and Telecommunications/Enterprise Acquisition Services.

Projected Cash Level for DISA Business Areas
\$ in Millions

September 30, 2005 actual	\$913.3
FY2006 liquidation of prior year advance billings	(181.4)
FY 2006 Net Outlays - Operating	(132.2)
FY 2006 Net Outlays - Capital	(110.9)
September 30, 2006 projected balance	\$488.8
FY2007 Net Outlays - Operating	(52.8)
FY 2007 net outlays - Capital	(150.4)
September 30, 2007 projected balance	\$285.6

PERFORMANCE MEASURES

Computing Services tracks its performance and results through Corporate Board Reviews, Internal Performance Reviews (IPRs), Balanced Scorecard results, and annual customer surveys. The Balanced Scorecard for Computing Services specifically reviews performance metrics, financial stability, and significant event milestones. The Computing Services budget includes performance measures that reflect system availability and responsiveness:

- DISA will maintain the minimum capacity needed to meet funded customer workload.
- All peak workload requirements will be met while maintaining an average utilization of installed IBM capacity of at least 70%.
- Users will experience IBM and Unisys platforms availability of at least 98%.

Other selected Computing Service performance measurement goals are as follows:

Standard Service Level Objectives

DISA CS shall make a good faith effort to meet or exceed the following operational objectives. Circumstances beyond the business area's control (e.g., power outages, natural disasters, inefficient application software releases, customer's local communications problems, etc.) are excluded. DISA will take prompt corrective action when these objectives are not being met.

Higher Service Level Objectives

Service Level Objectives defined are based on Full Cost Recovery. DISA will furnish higher service level objectives, usually at an additional charge to the customer, if mutually agreed to by DISA and the customer. The Support Agreement between DISA and the customer will list higher service level objectives as negotiated.

SERVICE OBJECTIVE	OPERATIONAL GOAL	SERVICE DESCRIPTION
Interactive Availability	98.5% availability	Portion of network/system controlled by DISA CS available to the customer during the interactive window.
Batch Throughput	95% or better completion rate and delivery	Completion rate and delivery by specified time during the batch window specified in the SA. Customer initiated batch-processing outside the batch window will be processed as resources permit.
Job Failure Notification	within 30 minutes	During normal working hours. Notification will be made after duty hours as requested by the customer.
Data Retrieval Services:	15 Minutes 4 Hours 36 Hours	Tape, on site (mount) Tape, off site (local) Tape, off site (backup-site)

Normal Processing Schedules

Interactive and Batch processing normally occurs 24 x 7 except for preventative maintenance cycles, or as stated in the Support Agreement, or where customer requirements preclude 24 X 7 operations (back-ups). DISA is responsible for workload processing and will negotiate the actual schedules. Exceptions to normal processing schedules must be provided to DISA no later than 72 hours in advance of the requirement. DISA will make every effort to notify the customer 72 hours prior to a scheduled interruption. DISA may honor late requests on a case-by-case basis .

RATES

The 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. Prior year accumulated gains totaling \$61.3 million are phased to be returned to customers over a two year period beginning in FY 2007.

The IBM assured computing service is an initiative designed to ensure that data is continuously available to the warfighter. In FY 2006 Computing Services will have the IBM Assured Computing data replication initiative complete. This service will be measured based on the permanent disk or DASD output and be billed to all customers based on a stabilized fixed rate.

In this budget submission, DISA is introducing stabilized rates for Server customers. In FY 2006 the rates will be notional only, while in FY 2007 they will be used as the basis for customer reimbursement. The stabilized composite server rates are composed of direct and overhead costs. The pricing structure uses “operating environments” as the unit of measure. An operating environment equates to an instance of the operating system (typically a server, either UNIX or Windows). The Windows operating environment categories consist of small servers (one or two Central Processing Unit (CPUs)), large servers (three or four CPUs), and enterprise servers (greater than four CPUs). The UNIX operating environment categories consist of small (one or two CPUs), medium (three or four CPUs), large (five to eight CPUs), and enterprise (greater than eight CPUs). Computing Services will charge all Server customers for basic services (system administration, security, standard operating environment, level-1 operational support team support, systems monitoring, and net infrastructure). Computing Services will charge for supplemental services (application support, database administration, storage, and classified processing) using separately devised rates. Each customer only pays for the supplemental services specified in the service level agreement.

MAINFRAME RATES:

IBM	FY 2005	FY 2006	FY 2007
CPU HOURS	\$22.9127	\$19.0167	\$16.7701
I/O EXCPs	\$0.0269	\$0.0272	\$0.0219
DASD	\$0.0061	\$0.0042	\$0.0010
TAPE MOUNTS	\$0.3595	\$0.5016	-
TAPE MB DAYS	\$0.0007	\$0.0004	\$0.0002
IBM ASSURED COMPUTING	\$0.0029	\$0.0031	\$0.0015
UNISYS			
SUPS UNISYS	\$13.8525	\$13.9254	\$11.9078
DASD UNISYS	\$0.0248	\$0.0265	\$0.0226
TAPE STORAGE (MB/Days)	\$0.0013	\$0.0015	\$0.0016

FY 2007 SERVER RATES:

	Small OE	Large OE	Enterprise OE
Windows Basic Rates	\$29,829	\$32,690	\$44,610

Additional Services

	Small OE	Large OE	Enterprise OE
Hardware Services	\$5,782	\$20,652	\$82,607
Application Support	\$9,278	\$9,278	\$9,278
Database Admin.	\$4,187	\$4,187	\$4,187
Database Software	\$10,621	\$24,782	\$46,024
Storage Services	\$3,459	\$12,355	\$49,421
Classified Services	\$5,761	\$6,401	\$16,002

	Small OE	Medium OE	Large OE	Enterprise OE
Unix Basic Rates	\$54,637	\$58,659	\$66,702	\$211,480

Additional Services

	Small OE	Medium OE	Large OE	Enterprise OE
Hardware Services	\$20,902	\$41,805	\$83,609	\$618,925
Application Support	\$23,478	\$23,478	\$23,478	\$23,478
Database Admin.	\$8,150	\$8,150	\$8,150	\$8,150
Database Software	\$10,750	\$25,083	\$46,582	\$85,998
Storage Services	\$12,505	\$25,010	\$50,021	\$370,282
Classified Services	\$5,830	\$6,478	\$8,098	\$16,196

CIVILIAN PERSONNEL

(\$ in Millions)	FY 2005	FY 2006	FY 2007
Civilian End-Strength	1,502	1,702	1,757
Civilian Full Time Equivalents	1,568	1,534	1,669
Civilian Labor Cost	\$153.2	\$158.5	\$166.9

Over the past twelve years, DISA has achieved significant personnel reductions through various management initiatives. From a FY 1992 baseline of 9,652 through the FY 2007 estimate of 1,757, DISA is estimating staffing level reductions of approximately 82%.

During the Transformation years, FY 2003-2005, DISA significantly reduced the Computing Services manpower requirements from the FY 2003 workload baseline, through efficiencies such as consolidated service centers and by investing in more efficient information technology allowing remote technical management. Implementation of DISA's human resources plan minimized the adverse impact on government employees and achieved a reduction in end strength sooner than anticipated. The actual FY 2005 workyears of 1,600 were 11% under last year's estimate due to the opportunities provided by the human resources plan, which resulted in positions being voluntarily vacated sooner than anticipated. The current FY 2006 end strength estimate of 1,702 is revised from 1,578 submitted in the FY 2006 President's Budget. This change includes positions to support increased and new workload requirements, with staffing rates for server workload benchmarked against industry standards. New workload includes staffing for additional Army workload (16), Air Combat Command (16), Special Purposes Gateway (20), Classified DISN (22), Mechanization of Contract Administration Services (11), Columbus Telecommunication switch (29), and increases for existing workload such as Military Health Services (18), Business Systems Modernization (6), Administrative Local Area Networks (11), Federal Technical Data Solutions (2), Communications & Information Assurance (4), Defense Integrated Military Human Resources Systems (2), Information security (9), and other miscellaneous positions in support of various areas with workload increases (17). In the FY 2006 President's Budget, the projected end strength for Net-Centric Enterprise Services (NCES) was 86 positions. This submission reduces that projection by 52, commensurate with reduced NCES and Network Content Management workload in FY 2006.

The FY 2006 President's Budget for FY 2007 projected end strength is 1,615. The change to the FY 2007 current estimate of 1,757 includes the FY 2006 personnel changes narrated above in

addition to increased workload for NCES (31) and Global Combat and Command System (24) as their computer hosting requirements increase.

MILITARY PERSONNEL

(\$ in Millions)	FY 2005	FY 2006	FY 2007
Military End Strength	5	4	4
Military FTEs	5	4	4
Military Labor Cost	\$1.0	\$.4	\$.5

Changes in the Cost of Operations
Component: Defense Information Systems Agency
Activity group: Computing Services
February, 2006
(Dollars in Millions)

FY 2005	Actual	612.5
FY 2006	Estimate in President's Budget	700.7
	<i>Pricing Adjustments:</i>	
	FY 2006 pay raise greater than President's Budget	0.9
	Non-labor price growth	1.8
	<i>Program Changes:</i>	
	Customer-driven workload adjustments most notably increases for Army, Air Force, Defense Logistics Agency, Electronic Commerce/Wide Area Work Flow, military personnel systems and classified customers, including associated depreciation and personnel requirements; offset by a decrease for Net-Centric Enterprise Services	7.4
	Technical correction for workyear utilization rate	(10.7)
	Support personnel	2.6
FY 2006	Current Estimate	702.7
	<i>Pricing Adjustments:</i>	
	Civilian price growth	2.7
	Non-labor price growth	9.0
	<i>Program Changes:</i>	
	Lower Transformation costs	(7.8)
	Customer-driven workload adjustments for Army, Air Force, Defense Logistics Agency, Net-Centric Enterprise Services, Electronic Commerce/Wide Area Work Flow, including associated depreciation and personnel requirements	22.3
	Savings from consolidating software for IBM operations	(3.9)
FY 2007	Estimate	725.0

Source of New Orders and Revenue
Component: Defense Information Systems Agency
Activity Group: Computing Services
February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
a. Orders from DoD Components			
Air Force Appropriated	96.7	96.0	84.0
Army Appropriated	19.2	29.1	27.6
Navy and Marine Corps Appropriated	36.9	43.0	39.1
DISA Appropriated	31.4	45.6	75.0
Other DoD	78.8	99.3	101.7
b. Orders from Other Fund Activity Groups			
Airforce - Working Capital	80.7	108.1	97.7
Army - Working Capital	11.4	11.3	10.4
Navy - Working Capital	22.3	31.4	30.4
DISA - Working Capital	14.5	6.6	6.3
DFAS	142.4	132.9	117.0
DLA	64.6	95.3	97.9
c. Total DoD	598.9	698.6	687.1
d. Other Orders			
Other Federal Agencies	0.0	0.0	0.0
Other Non-Federal	0.0	0.0	0.0
Total New Orders	598.9	698.6	687.1
2. Carry In Orders	0.0	0.0	0.0
3. Total Gross Orders	598.9	698.6	687.1
4. Other Income (-)	0.4	0.0	0.0
5. Revenue (-)	599.3	698.6	687.1
6. End of Year Work in Process (-)	0.0	0.0	0.0
7. Direct Contract Obligations	0.0	0.0	0.0

Revenue and Expenses
Component: Defense Information Systems Agency
Activity Group: Computing Services
February 2006
(Dollars in Millions)

	FY 2005	FY 2006	FY 2007
Revenue			
Gross Sales			
Operations	558.2	614.9	597.1
Capital Surcharge	0.0	0.0	0.0
Depreciation Excluding Major Construction	40.7	83.7	90.0
Major Construction Depreciation	0.0	0.0	0.0
Other Income	0.4	0.0	0.0
Refunds/Discounts(-)			
Total Income	599.3	698.6	687.1
Expenses			
Salaries and Wages:			
Military Personnel Compensation & Benefits	1.0	0.4	0.5
Civilian Personnel Compensation & Benefits	153.2	158.5	166.9
Travel & Transportation of Personnel	3.4	3.8	3.7
Materials and Supplies	22.1	24.7	28.8
Equipment	0.0	0.0	0.0
Other Purchases from Revolving Funds	47.6	27.4	22.9
Transportation of Things	0.6	0.4	0.4
Depreciation Capital	40.7	83.7	90.0
Rent, Communications, Utilities, & Misc. Charges	5.8	6.4	6.4
Printing and Reproduction	0.1	0.0	0.0
Advisory and Assistance Services	0.1	0.1	0.1
Other Purchased Services	337.9	397.3	405.3
Total Expenses	612.5	702.7	725.0
Operating Result	(13.2)	(4.1)	(37.9)
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	(13.2)	(4.1)	(37.9)
Prior Year AOR	78.6	65.4	61.3
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	65.4	61.3	23.4
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
Accumulated Operating Result for Budget Purpose	65.4	61.3	23.4

DEPARTMENT OF DEFENSE DEFENSE INFORMATION SYSTEMS AGENCY

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

FISCAL YEAR 2007 PRESIDENT'S BUDGET

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 TS/EAS mission is purchasing telecommunications and related information technology products from the worldwide commercial sector to meet DoD-wide components and authorized non-defense customers' needs. TS/EAS business area enables the department to build and sustain a critical component of the Global Information Grid (GIG) and to provide the warfighter timely access to valid, secure, and operationally relevant information that ensures the success of military operations. The robustness of this telecommunications infrastructure has been demonstrated by DISA's repeated capability to meet terrestrial and satellite surge requirements in Southwest Asia and during disaster relief and recovery efforts. TS/EAS operations can be divided into three functional components:

- Defense Information Systems Network (DISN) Services
- Non-DISN Telecommunications Services
- Enterprise Acquisition Services

TS/EAS provide a single source for high quality, reliable, survivable, and secure telecommunications services for Defense command and control. TS/EAS is also an ideal source for procurement of best-value and commercially competitive information technology, as well as voice, data, and video services. The Enterprise Acquisition Services portion of the business area provides outstanding 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.

Defense Information Systems Network (DISN) Services:

The Defense Information System Network (DISN) provides the interoperable telecommunications connectivity and value-added services required to plan, implement, and support any operational missions, anytime, and anywhere. DISN is a complex program of services focused on sustainment and modernization. The DISN provides long-haul connections among the Combatant Commanders, Service and Defense Agency bases and deployed forces. The DISN provides dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services on a fee-for-service basis. DISN services are managed within the following main business lines:

- **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 including the Joint Worldwide Intelligence Communications System (JWICS).

- **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, Hawaii Information Transfer System, Enhanced Mobile Satellite System, and Defense Red Switch Network.
- **Video Services** provide both routine and classified video teleconference capabilities for the Department of Defense.
- **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.

DISA also provides government and contract engineering, modeling, simulation and assessment, and system control resources to support the requirement-specific, operational DISN networks. In addition, DISA manages contracts to procure services from commercial satellite systems, which augment military satellite systems.

The DISN is a key to the Department's transformation initiatives, driven by both evolving technology, and rapidly increasing customer requirements. Its previous fee-for-service paradigm was complicated and did not encourage data sharing-- a Departmental goal. The methodology was reviewed to ensure its cost recovery mechanisms supported enterprise-level communications and the creation of a net-centric environment. As a result of that review, a simplified pricing structure was implemented for FY 2006 which focused on bandwidth capacity and packages of services rather than usage. It addresses Congressional concerns by increasing cost visibility and incentivizing customer use. This revised approach provides the customer with streamlined combinations of services and bandwidths to choose from, much like subscription services. Each combination has a single annual/monthly price to simplify reimbursement. Treating the DISN as a major combat-support acquisition recognizes the integral role it plays in supporting the warfighter and allows adoption of a DISN investment strategy consistent with other Departmental acquisitions and lifecycle replacement processes. Building on this approach, most investments for the programs included in the subscription services moved to appropriated procurement accounts starting in FY 2006, while operations (now excluding depreciation) remain in the DWCF.

Under the new structure, customers at about 400 world wide sites (plus an additional 1600 access sites charged on a cost reimbursable basis) choose their bandwidth requirements and associated package of services, and reimburse the business area for a chosen subscription, which is billed on the basis of a price per share. There are five categories of service, and four bandwidth sizes, for a total of twenty possible subscription rates. The five categories of service are as follows:

1. Transport of intelligence information.
2. Mission Essential, which includes secure and non-secure Internet access, the Defense Switched Network, the Defense Messaging Service, and video service.
3. Command and Control, which includes the above services plus dual access to the system.
4. Command and Control Plus, which includes the above services plus Joint World-wide Intelligence Communications System and/or the Defense Red Switched Network.

5. C2ISR, which includes all services.

The four sizes of bandwidth are small, medium, large and mega. The customer chooses the array of services and the appropriate bandwidth size for the volume of information expected. The cost of each combination reflects a weighted number of shares that is multiplied by the base share price. It should be noted that the FY 2007 share price increases due to 1) a transfer of costs for DISN support personnel from appropriated funds to DWCF rates, and 2) a reduced number of total “shares” in the pricing structure. For FY 2007, the amount of bandwidth in each base share increases, so costs are spread over a fewer number of shares. Even with the functional transfer, the cost of providing DISN subscription services increases less than inflation between FY 2006 and FY 2007.

DISN Subscription Services

	FY 2006	FY 2007
Cost to Customers (\$ in millions)	\$835.8	\$867.8
Number of Sites	404	405
Number of Shares	8215	7506
Price per share	\$101,741	\$115,614

In addition, customers fund their individual access to the DISN, including a contract administration fee of 1.25% on those contract costs. The core telecommunications services by this business area are listed below:

Components of the Defense Information Systems Network

Core Services included in Shares Pricing:	Supporting Programs/Networks:
Voice Services	<ul style="list-style-type: none"> • Defense Switched Network • Defense Red Switch Network
Data Services	<ul style="list-style-type: none"> • Internet Protocol Routers • Secure and Non-secure Internet access (SIPRNet and NIPRNet)
Message Service	<ul style="list-style-type: none"> • Defense Messaging System
Video Services	<ul style="list-style-type: none"> • Defense Video Teleconferencing Network
Transmission Services	<ul style="list-style-type: none"> • Dedicated Transmission Network • Caribbean Transmission Network • Pacific Transmission Network • European Transmission Network • Continental US Transmission Network • Southwest Asia Transmission Network • Asynchronous Transfer Mode • Joint Worldwide Intelligence Communications System
Reimbursable Services:	Supporting Programs/Networks:
Requirement-	<ul style="list-style-type: none"> • Hawaii Information Transfer System

Specific	<ul style="list-style-type: none"> • Commercial Satellite Service Office (CSSO) • Enhanced Mobile Satellite Service (access charge + actual usage)
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DISN Reimbursable Services

The DISN provides a number of services that are targeted to specific customers and their unique requirements. While most of these services have been incorporated into the DISN revised pricing structure in FY 2006, several will remain outside of it. For these activities, customers are billed for the costs incurred to meet the customer requirement. Telecommunications support in Kosovo and Bosnia will remain cost reimbursable. The same is true for selected costs associated with Southwest Asia operations. The estimated costs of continuing telecommunications operations in Bosnia and Kosovo are \$14.7 million for FY 2006 and \$14.7 million for FY 2007. Contingency costs for Southwest Asia (reimbursed by DISA contingency funds) are estimated at \$37.9 million for FY 2006 and \$35.3 million for FY 2007. These costs support the sustainment of communications infrastructure, to include service leases, non-capital equipment purchases, and the maintenance of network management and operations staffs. Commercial Satellite Services and the Enhanced Mobile Satellite System remain DWCF cost reimbursable services due to their targeted non-terrestrial mission. The Hawaii Intersystem Transfer System is a unique network that supports post, camp, and station customers, as well as on-island communications.

Non-DISN Reimbursable Telecommunications Services

In addition to the DISN, the Telecommunications Services budget provides a wide variety of cost-reimbursable telecommunications contracts for the Department of Defense community and other approved organizations. These contracts are treated as a “pass-through” expense to the Fund and support network operations in the continental U.S as well as Europe, Alaska, and the Pacific. This area also includes the reimbursement for DoD-wide telephone service centrally ordered and paid for through DISA and provided via the General Services Administration’s Federal Telephone System 2001 (and successor) contract.

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. 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, financial reporting, invoice certification and vendor payment; customer billing, cash management, budgeting, etc. Customers must provide funding to cover the estimated contract value before contracts are obligated by DISA 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.

LINES OF BUSINESS COSTS

Provided below are summary lines of business with associated costs that make up the Telecommunications Services/Enterprise Acquisition Services business area. DISN customer access costs, which are reimbursable pass-through contracts to the business area beginning in FY 2006, are reflected below in Enterprise Acquisition Telecom Services. Estimated access costs are \$56 million in FY 2006 and \$64 million in FY 2007.

Lines of Business Operating Costs \$ in millions

Program (\$ in millions)	FY 2005	FY 2006	FY 2007
DISN Subscription Services	\$878.5	\$886.5	\$891.0
Continuing military operations	45.6	52.7	50.1
Commercial Satellite Services	187.2	188.2	185.7
Enhanced Mobile Satellite System	59.3	74.5	79.9
Other Reimbursable*	29.0	32.6	32.6
Enterprise Acquisition Contracting Services	1,347.8	1,389.7	1,442.8
Enterprise Acquisition Telecom Contr Svcs, including DISN access	1,010.2	1,098.0	1,129.2
TS/EAS Total	\$3,557.6	\$3,722.2	\$3,811.3

*Includes costs for overhead support for EMSS, Commercial Satellite, plus direct reimbursable work for special telecom customers.

OPERATING BUDGET

Operating Budget Summary \$ in millions

\$ in millions	FY 2005	FY 2006	FY 2007
Revenue	\$3,698.0	\$3,613.6	\$3,755.0
Costs	3,576.2	3,722.2	3,811.3
Net Operating Result NOR	103.2	(108.6)	(56.3)
Other Changes Affecting AOR	-0-	-0-	-0-
Accumulated Operating Results	\$164.9	\$56.3	\$0.0

MAJOR CHANGES BETWEEN FISCAL YEARS

FY 2006 President's Budget Submission to FY 2006 Current Estimate

The current estimate for FY 2006 cost of operations is \$3,722.2 million, an increase of \$332.5 million more than the FY 2006 President's Budget Submission. By far the largest part of this increase is for an additional \$300 million in contracting services workload for non-DISA managed reimbursable telecommunication services. These are cost reimbursable contracts where

the costs incurred equal the revenue except for a modest contract administration charge of 1.25%. The increase in FY 2006 is based on both FY 2004 experience, when reimbursable contracts throughput increased 40% over the budget, and FY 2005 experience, when reimbursable contracts dollar volume has again exceeded budget estimates by 14.4%. The increased volume of contracting services is projected due to continued contingency operations and increased customer service effectiveness. The number and flexibility of contracting vehicles has also enhanced DISA's attractiveness as a contracting services provider.

Costs increase \$21.0 million in FY 2006 for increased prices for "bridge" contracts for continental U.S. transmission. Two major contracts are required to provide end-to-end circuits to customers, and both contracts will expire in FY 2006. Bridge contracts must be awarded until new replacement contracts are in place and will result in increased costs. Contractor-owned software and hardware elements for bandwidth managers have reached end-of-life and are no longer supported by the vendor. This software and hardware must be replaced by the government as a condition of "bridging" the contract. In addition, the Department has been incurring favorable circuit prices, which are expected to increase during the bridge period. The budget estimate is based upon the current price, updated for the current market, and then benchmarked against the Federal Telephone Services 2001 contract.

Additional costs of \$5.5 million in FY 2006 are anticipated for maintenance costs for Multi-Service Provisioning Platforms (MSPP) that were procured in FY 2005. MSPP is the standard equipment for DISN sites to interface and maximize utilization of GIG-BE increased bandwidth. The equipment provides higher bandwidth with more ports. Unlike routers, it has increased flexibility and can handle a variety of interfaces in a dynamic environment. It also supports increased optical backbone. The equipment is part of the effort to extend DISN sites to the GIG-BE infrastructure. Maintenance beyond the initial service warranties is required to ensure continuing equipment operation. New releases of operating software will be included in the maintenance contract at no additional cost.

The FY 2006 President's Budget included \$8.6 million for non-capital equipment for the Joint Worldwide Intelligence Communications System (JWICS) portion of the DISN. However, new information indicates that this requirement is an investment versus expense item, i.e., unit cost of the equipment will exceed the present DWCF \$100 thousand investment threshold. Therefore, these costs have been realigned from operating costs to the capital budget. Other changes since the FY 2006 President's Budget include JWICS intrusion detection equipment for \$2.4 million, a new requirement for non-capital COTS software and desktop equipment that will enhance existing intrusion detection capabilities for the JWICS system. Likewise, costs of \$1.4 million have been added for data information assurance for additional contractor support required to perform and analyze network compliance assessments for established SIPRNet and cross-domain solutions connections and to ensure the overall SIPRNet system certification and accreditation is maintained.

The remaining change of -\$6.6 million in FY 2006 is principally driven by reduced reimbursable estimates for Bosnia, Kosovo, SWA contingency, and Commercial Satellite workload. The decline is due to reduced customer-driven circuit requirements and associated infrastructure.

FY 2006 Estimate to FY 2007 Estimate

The FY 2007 estimate of \$3,811.3 million will be an increase of +\$89.1 million from FY 2006, of which +\$80.5 million is inflation and civilian pay increases. In addition, the Department proposes a functional transfer for DISN support personnel and non-labor costs, from DISA appropriated O&M Defense-Wide account and Military Services' military pay accounts to DWCF in the amount of \$48.6 million starting in FY 2007. This action will allow for total cost visibility for the DISN, in accordance with Departmental policy for working capital fund products and services, and is TOA neutral at the Department level. DISN customer accounts have been adjusted to accommodate the increased DISN Subscription price. (The precise amounts of the transfer by account are shown on the Fund 2 budget exhibit, which follows this narrative.)

Operating cost increases in FY 2007 also include higher costs for telecommunications bridge contracts (+\$2.7 million), maintenance of MSPP equipment (+\$2.4 million), GIG-BE sustainment for a full fiscal year (+\$14.5 million), and increased non-DISA managed contracting services (+\$23.0 million). Increases are partially offset by post-GIG-BE reduced circuitry costs (-\$52.6 million) and management-directed efficiencies driving a \$12.4 million reduction in cost. The one-time costs of restructuring systems and processes for converting to DISN subscription billing rates will be completed in FY 2006, so FY 2007 costs are lower (-\$6.4 million), and DISA anticipates some reductions in reimbursable workload for Southwest Asia contingencies and Commercial Satellite Services, (-\$7.4 million).

CASH MANAGEMENT OF DISA BUSINESS AREAS

The following table depicts anticipated cash balances through the end of FY 2007 for both of DISA's business areas, Telecommunications and Enterprise Acquisition Services, and Computing Services. The approximate \$600 million decrease over the next two years is principally due to three causes:

1. Liquidation of FY 2005 advanced billings in both business areas, (\$181.4 million). Advanced billings were directed in FY 2005 by the Undersecretary of Defense (Comptroller) to ensure Defense Working Capital Fund liquidity. It is anticipated that these revenues will be earned during FY 2006, reducing cash.
2. Return of FY 2005 and prior year accumulated profits to customers via reduced rates, (\$202 million). To return the profits, revenue/rates are set below costs, thus decreasing collections and cash.
3. Capital outlays greater than income from depreciation, (\$261.3 million). The principal driver for this is the cessation of depreciation costs in DISN rates, while outlays continue over this period for FY 2003, 2004, and 2005 capital projects.

The projected balance of \$285.6 million represents about ten days of cash available for operations plus approximately six months of capital outlays for DISA's two business areas, Computing Services and Telecommunications/Enterprise Acquisition Services.

Projected Cash Level for DISA Business Areas
\$ in millions

September 30, 2005 actual	\$913.3
FY2006 liquidation of prior year advance billings	(181.4)
FY 2006 Net Outlays - Operating	(132.2)
FY 2006 Net Outlays - Capital	(110.9)
September 30, 2006 projected balance	\$488.8
FY2007 Net Outlays - Operating	(52.8)
FY 2007 net outlays - Capital	(150.4)
September 30, 2007 projected balance	\$285.6

CAPITAL INVESTMENT PROGRAM

Capital Budget Summary
\$ in millions

\$ in millions	FY 2005	FY 2006	FY 2007
Telecommunications Services	\$40.1	\$9.4	\$9.6
Enterprise Acquisition Services	11.5	8.2	.6
Total TS/EAS	\$51.6	\$17.6	\$10.2

The TS/EAS Capital budget includes total requirements of \$17.6 million in FY 2006 and \$10.2 million in FY 2007. The significant drop in the FY 2006/2007 request reflects the use of appropriated procurement dollars for DISN investments. The current request includes the final costs to complete the Enterprise Business Modernization (EBM) COTS purchase. The capital program request also includes funding for DISA's costs for implementing the Department's new standard accounting system. The new system will comply with DoD Comptroller direction to implement a system compliant with the Joint Financial Management Improvement Plan. In addition to these requirements, this budget requests some funding for DISN equipment/parts with a unit cost between \$100 thousand (the DWCF expense/investment threshold) and \$250 thousand (the appropriated fund threshold). Some requirements, such as the ongoing timing and synchronization upgrades cost about \$150 thousand per site. Finally, the operating budget decreases, and the capital budget increases by \$8.6 million in FY 2006 and \$9.2 million in FY 2007 for JWICS equipment which will require investment versus operating funds to procure. These requirements are further discussed in the capital exhibits included in this budget submission.

PERFORMANCE MEASURES

Telecommunications, both terrestrial and satellite, are key to information superiority and supporting the Global Information Grid as it creates a net-centric environment to enhance warfighter capabilities. DISA's ability to meet the warfighter's requirements in a surge environment has been repeatedly demonstrated in Southwest Asia. 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 Bandwidth Expansion. These efforts, which have guided this budget's development, support the Department's goal of unconstrained bandwidth availability. DISN was a focus of transformation during the Department's review of its pricing structure. The

result is a methodology that simplifies pricing and incentivizes use. Besides pricing measures (share price) that establish financial metrics in a revolving fund, TS/EAS has operating metrics tied to the Department's strategic goals. Shown below are examples of TS/EAS performance measures:

DISN performance measures are as follows:

- NIPRNET Availability – 99.55% target
- NIPRNET Latency – <275 milliseconds target
- NIPRNET Packet Loss – 1.00% target
- DSN Switch Availability – 100.00% target
- DSN Trunk Availability – 99.95% target
- DSN Network Availability – 99.95% target
- Video Network Availability – 99.60% target
- Transport Network Availability – 99.50% target
- DRSN Network Availability – 99.90% target

CIVILIAN PERSONNEL

Telecommunications Services/ Enterprise Acquisition Services	FY 2005	FY 2006	FY 2007
Civilian End Strength	557	653	890
Civilian Workyears	522	622	870
Civilian Personnel Cost (\$ in millions)	\$44.8	\$55.0	\$85.5

The civilian personnel budget is experiencing growth from FY 2005 to FY 2006 due to increased workload for reimbursable contracting services. In addition, a high attrition rate occurred in FY 2005 at the Network Information Center and the Customer Call Center, Columbus OH, due to DISA Transformation efforts, now complete. Hiring will occur in FY 2006 to achieve appropriate staffing levels. FY 2007 civilian personnel levels increase due to a DISN DWCF functional transfer of 237 personnel currently funded via DISA Appropriated funds.

MILITARY PERSONNEL

Table 8: Military Personnel

Telecommunications Services/ Enterprise Acquisition Services	FY 2005	FY 2006	FY 2007
Military End Strength	32	25	100
Military Workyears	32	25	100
Military Personnel Cost (\$ in millions)	\$2.3	\$1.8	\$6.3

FY 2005 costs reflect those approved in the FY 2005 President's Budget. FY 2006 reflects decreases associated with the Department's initiative to free up military personnel for warfighting duties, replacing with civilians as necessary. The FY 2007 increase is a result of the functional transfer of 75 personnel currently funded via Military pay accounts into the DISN DWCF costs and rates.

Changes in the Costs of Operations
Component: Defense Information Systems Agency
Activity Group: TSEAS
February, 2006
(Dollars in Millions)

FY 2005	Actual	3,576.2
FY 2006	Estimate in President's Budget	3,389.7
	<i>Pricing Adjustments:</i>	
	FY 2006 pay raise greater than President's Budget	0.3
	Non-labor price growth	17.1
	<u><i>Functional Transfer from Operating costs to Capital:</i></u>	
	Joint Worldwide Intelligence Communications System equipment	(8.6)
	<i>Program Changes:</i>	
	Increased workload for non-DISA Managed Contracting Services	300.0
	Telecommunications Bridge Contracts for Continental U.S. Transmission	21.0
	Maintenance on Multi-service Provisioning Platforms	5.5
	Joint Worldwide Intelligence Communications System Intrusion Detection	2.4
	Information Assurance	1.4
	Reduced telecommunications costs most notably for Bosnia/Kosovo, Contingencies, and Commercial Satellite services	(6.6)
FY 2006	Current Estimate	3,722.2
	<i>Pricing Adjustments:</i>	
	Annualization of Civilian pay raise	0.4
	Civilian price growth	0.9
	Non-labor price growth	79.2
	<u><i>Functional Transfer for DISN Support Personnel:</i></u>	48.6
	Funds realigned from following accounts to DWCF:	
	From O&M, DW (DISA)	44.300
	From Army Military pay	1.300
	From Navy Military pay	1.000
	From Marine Corps Military pay	0.200
	From Air Force Military pay	1.800
	<i>Program Changes:</i>	
	Increased workload for non-DISA Managed Contracting Services	23.0
	Telecommunications Bridge Contracts for Continental U.S. Transmission	2.7
	Maintenance on Multi-service Provisioning Platforms	2.4
	GIG-BE Sustainment for full fiscal year	14.5

Changes in the Costs of Operations
Component: Defense Information Systems Agency
Activity Group: TSEAS
February, 2006
(Dollars in Millions)

	DISN optimization/reduced transmission costs, including Gigabit Switched Router (GSR) costs	(52.6)
	Reduced reimbursable workload, principally Contingencies and Commercial Satellite services	(7.4)
	Implementation of revised billing structure completed	(6.4)
	One-time Intrusion Detection and Information Assurance efforts completed	(3.8)
	Management directed efficiencies	(12.4)
FY 2007	Estimate	3,811.3

Source of New Orders and Revenue
Component: Defense Information Systems Agency
Activity Group: TSEAS
February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
a. Orders from DoD Components			
Air Force Appropriated	519.2	568.3	605.8
Army Appropriated	539.3	609.5	653.2
Navy and Marine Corps Appropriated	312.4	290.1	349.1
DISA Appropriated	841.1	663.8	668.5
Other DoD	398.4	415.8	379.8
b. Orders from Other Fund Activity Groups			
Airforce - Working Capital	25.0	28.7	29.7
Army - Working Capital	7.6	11.5	11.8
Navy - Working Capital	36.4	23.1	23.6
Defense - Working Capital			
DFAS	7.0	14.1	6.9
DLA	22.1	14.5	20.0
DECA	27.5	28.6	33.5
Computing Services	422.0	415.4	427.6
c. Total DoD	3,158.0	3,083.4	3,209.5
d. Other Orders			
Federal Aviation Administration	185.7	189.2	193.1
Other Federal Agencies	331.5	336.5	347.8
Other Non-Federal	20.5	4.5	4.6
Total New Orders	3,695.7	3,613.6	3,755.0
2. Carry In Orders	0.0	0.0	0.0
3. Total Gross Orders	3,695.7	3,613.6	3,755.0
4. Other Income (-)	2.3	0.0	0.0
5. Revenue (-)	3,698.0	3,613.6	3,755.0
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

Revenue and Expenses
Component: Defense Information Systems Agency
Activity Group: TSEAS
February 2006
(Dollars in Millions)

	FY 2005	FY 2006	FY 2007
Revenue			
Gross Sales			
Operations	3,679.1	3,612.1	3,752.2
Capital Surcharge	0.0	0.0	0.0
Depreciation Excluding Major Construction	16.6	1.5	2.8
Major Construction Depreciation	0.0	0.0	0.0
Other Income	2.3	0.0	0.0
Refunds/Discounts(-)			
Total Income	3,698.0	3,613.6	3,755.0
Expenses			
Salaries and Wages:			
Military Personnel Compensation & Benefits	2.3	1.8	6.3
Civilian Personnel Compensation & Benefits	44.8	55.0	85.5
Travel & Transportation of Personnel	2.5	3.3	4.1
Materials and Supplies	169.6	173.9	175.8
Equipment	0.0	0.0	0.0
Other Purchases from Revolving Funds	8.0	11.1	10.6
Transportation of Things	0.0	0.1	0.1
Depreciation Capital	16.6	1.5	2.8
Rent, Communications, Utilities, & Misc. Charges	1,789.7	1,833.4	1,826.2
Printing and Reproduction	0.0	0.1	0.1
Advisory and Assistance Services	0.0	0.0	0.0
Other Purchased Services	1,542.7	1,642.0	1,699.8
Total Expenses	3,576.2	3,722.2	3,811.3
Operating Result	121.8	(108.6)	(56.3)
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	(18.6)	0.0	0.0
Net Operating Result	103.2	(108.6)	(56.3)
Prior Year AOR	61.7	164.9	56.3
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	164.9	56.3	0.0
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
Accumulated Operating Result for Budget Purpose	164.9	56.3	0.0

DEFENSE-WIDE WORKING CAPITAL FUND
Fiscal Year (FY) 2007 BUDGET ESTIMATES
OVERVIEW

DEFENSE LOGISTICS AGENCY

The Defense Logistics Agency (DLA) is a Combat Support Agency responsible for providing worldwide logistics support for the missions of the Military Departments and the Unified Combatant Commands under conditions of peace and war. Responsibilities include the acquisition, storage, and distribution of most of the Department of Defense's (DoD) spare parts and other consumable items, reutilization and marketing of excess military property, document automation services, and operation of the Defense National Stockpile. DLA directly contributes to the warfighting readiness and sustainability of U.S. forces, literally "around the clock - around the world".

Most of these responsibilities are carried out by activity groups operating within the Defense-Wide Working Capital Fund. The DLA portion of the Fund consists of the following four activity groups:

- Supply Management
- Distribution Depots
- Reutilization and Marketing
- Document Automation and Production Service

This submission reflects DLA's continued commitment to provide responsive, best value supplies and services consistently to our customers, to structure internal processes to deliver customer outcomes effectively and efficiently, to ensure our workforce is enabled and empowered to deliver and sustain logistics excellence, and manage DLA resources for best customer value. Specifically, this submission includes:

- ◆ Performance goals and metrics for all major DLA Activity Groups
- ◆ Supply Non-Energy Customer Price Change (CPC) of 0.6% in FY 2007 is beating the inflation factor
- ◆ A direct appropriation to the DLA Defense Working Capital Fund of \$17.7 million in FY 2007 to fund military unique costs
- ◆ Workload (receipts and issues) in Distribution that is beginning to level off

- ◆ An increase in transportation costs due to the increased cost of fuel and continued support of OEF/OIF

A description of each activity group follows:

Supply Management Activity Group - Non-Energy

The DLA Supply Management Non-Energy 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 DoD Logistics support activities, such as the Defense Logistics Information Service (DLIS), and the Defense Automated Addressing Systems Center (DAASC). Nearly 25.5 million requisitions 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.

DLA's Non-Energy inventories are broken into seven Supply Chains. Four of the Supply Chains provide the warfighter with Troop Support (uniforms, food and medical, hardware type items) and three of the Supply Chains provide Weapons System Support (repair parts and operating supplies).

Activity Group Profile

	(\$ in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Cost of Goods Sold	\$16,684.0	\$17,071.9	\$16,543.2
Net Operating Results	\$73.3	(\$418.7)	(\$121.2)
Accumulated Operating Results	\$539.9	\$121.2	\$0.0
Civilian FTEs	10,551	11,090	10,822
Military Workyears	243	243	243
Capital Budget Authority	\$184.5	\$192.1	\$79.0

Supply Management Activity Group - Energy

The DLA Defense Energy Support Center (DESC) located at Fort Belvoir, Virginia, provides comprehensive worldwide energy support for the military services and other authorized customers. 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.

Activity Group Profile

	(\$ in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Cost of Goods Sold	\$9,083.8	\$10,050.4	\$9,791.2
Net Operating Results	(\$575.0)	\$53.0	(\$78.7)
Accumulated Operating Results	(\$389.6)	(\$336.6)	(\$415.3)
Civilian FTEs	795	937	950
Military Workyears	107	107	106
Capital Budget Authority	\$26.2	\$57.9	\$58.7

Distribution Depots Activity Group

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA 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 2005, 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 24.4 million secondary lines and warehoused and maintained over 125.8 million cubic feet of material. The Defense

Distribution Depot network ensures that America's war fighters receive the best value distribution services.

Activity Group Profile

	(\$ in Millions)		
	FY 2005	FY 2006	FY 2007
Revenue	\$2,804.1	\$2,538.6	\$2,296.2
Net Operating Results	(\$17.2)	(\$81.7)	(\$130.6)
Accumulated Operating Results	\$311.6	\$229.9	\$99.3
Civilian Full-Time Equivalents	8,162	8,588	8,416
Military Workyears	152	151	151
Capital Budget Program Authority	\$41.9	\$58.6	\$46.1

Reutilization and Marketing Activity Group

The Defense Logistics Agency (DLA) Defense Reutilization and Marketing Service (DRMS) Activity Group is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2005, DRMS received 3.5 million line items of useable property. DoD inventory managers submit requirements to DLA via automated requisitions using standard requisition and issue procedures. Items received by the DLA Defense Reutilization and Marketing Offices (DRMOs) meeting Military Services item manager criteria are automatically referred through front-end screening notices. The Military Services and the DLA Inventory Control Points reutilized \$1.8 billion worth of personal property in FY 2005, resulting in savings to the DoD and the Government. If property is not reutilized, it can be transferred to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations. In FY 2005, DRMS donated \$9.3 million worth of property (generators, heavy equipment, cots, blankets, health and comfort kits) to support relief efforts for Hurricanes Katrina and Rita. Depending on the nature of the property, the balance may be offered for competitive sale to the public.

In addition to useable property, DRMS received, recycled and/or disposed of over one billion pounds of scrap. DRMS also conducts the DoD precious metals recovery program, extracting these commodities from scrap metals. In FY 2005, DRMS recovered an exceptionally large amount of precious metals - over 590 thousand troy ounces of gold, silver and platinum family metals worth over \$8 million.

Some types of property require special handling to reduce risk to the public. Property having offensive or defensive characteristics

undergoes a demilitarization process to remove those characteristics. In FY 2005, DRMS demilled over 100 thousand line items. Property that may contain small amounts of environmentally regulated substances not easily identifiable, such as electronic scrap, undergoes a demanufacturing 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 governed by the Resource Conservation Recovery Act (RCRA) 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 2005, DRMS disposed of over 8,000 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 direct funded by the Military Services.

Throughout the disposal process, DRMS is required to maintain stringent accountability for all excess and surplus property. This is done with their Disposal Automated Information System (DAISY).

The operational core of this organization lies with individual DRMOs located on military installations throughout the world. DRMOs receive, classify, segregate, demilitarize, account for and report excess material for screening, lotting, merchandising, and sales. Operational control and oversight is provided by DRMS headquarters, located in Battle Creek, Michigan.

Activity Group Profile

	(\$ in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Sales	\$349.9	\$309.2	\$265.3
Net Operating Results	(\$3.1)	(\$1.4)	(\$58.3)
Accumulated Operating Results	\$119.9	\$102.5	\$0.0
Civilian Full-Time Equivalents	1,548	1,537	1,549
Military Workyears	9	9	9
Capital Budget Program Authority	\$4.8	\$22.7	\$13.8

Document Automation and Production Service Activity Group

The Document Automation & Production Service (DAPS) is responsible for the DoD printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated

services to include: document conversion, electronic storage and output, and the 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 (GPO).

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 181 production facilities.

Activity Group Profile

	(\$ in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Net Operating Results	\$15.3	(\$3.4)	(\$8.5)
Accumulated Operating Results	\$15.9	\$12.5	\$4.0
Civilian Full-Time Equivalents	821	815	797
Capital Budget Program Authority	\$1.3	\$2.1	\$4.8

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
FISCAL YEAR (FY) FY 2007 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 25.5 million requisitions 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.

DLA's Non-Energy inventories are broken into seven Supply Chains. Four of the Supply Chains provide the warfighter with Troop Support (uniforms, food, medical, and hardware type items) and three of the Supply Chains provide Weapons System Support (repair parts and operating supplies).

Organizational responsibilities:

Troop Support provides food, clothing, medicine, medical equipment, construction and equipment supplies and services to the military services and non-DoD customers through the four Supply Chains it manages. The Inventory Control Point (ICP) designated as the lead center for Troop Support is the Defense Supply Center Philadelphia. A description of the Troop Support Supply Chains follows.

The **Clothing and Textiles Supply Chain** is the primary source for over 31,000 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 2007 sales are projected at \$2.4 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 2007 sales are projected at \$3.9 billion. Each year the Medical Supply Chain processes 530,000 customer orders using approximately 300 suppliers.

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, public health service hospitals, the USDA 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 2007 sales are projected at \$3.2 billion. Each year the Subsistence Supply Chain processes 375,000 multi-line customer orders using 1,300 contracts to over 1000 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 services, marine lifesaving, wood products, lighting, metals, building materials, safety and rescue equipment, and everything used in facilities maintenance. FY 2007 sales are projected at \$2.8 billion. Each year the Construction and Equipment Supply Chain processes 1.4 million customer orders using over 226,000 contracts to over 2,980 suppliers.

Weapons Systems provide repair parts for aviation, land and maritime weapons system support. The ICP designated as the lead for Aviation is the Defense Supply Center Richmond (DSCR) and the lead for the Land and Maritime Supply Chains is the Defense Supply Center Columbus (DSCC).

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, bearings, and aircraft engine parts, to electric cable and electrical power products;

lubricating oils; batteries; industrial gases; precision instruments; environmental products; and consumable items. FY 2007 sales are projected at \$3.6 billion. Each year the Aviation Supply Chain processes 5.3 million customer orders.

The **Land Supply Chain** is the primary source for nearly 350,000 repair parts and operating supply items for Land based weapon systems. These items include a mix of military-unique items supporting over 529 major land-based weapon systems as well as items readily available in the commercial market. FY 2007 sales are projected at \$1.5 billion. Each year the Land Supply Chain processes 3.7 million customer orders using over 350,000 contracts to over 3,300 suppliers at detachments located in Columbus, Philadelphia and Richmond.

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 2007 sales are projected at \$1.8 billion. Each year the Maritime Supply Chain processes 4.7 million customers' orders using over 340,000 contracts to over 5,500 suppliers at detachments located in Columbus, Philadelphia and Richmond.

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 seven million supply items in the Federal Logistics Information System. The logistics information which DLIS processes provides catalogs for items ranging 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.

BUDGET HIGHLIGHTS

Disaster Relief -

During Fiscal Year (FY) 2005 DLA Non-Energy Supply Management Activities supported Federal Emergency Management Agency (FEMA), American Red Cross (AMR), various State Agencies, and United States Northern Command (NORTHCOM) relief and restoration operations. Through 24 October 2005, DLA provided the following support: 29.2 million Meals Ready to Eat (MREs); 28.0 million commercial non-perishable meals; \$3.5 million in medical materiel to McGee Mississippi; 2,238 medical requisitions for USNS COMFORT for \$4 million; over 16,100 repair part requisitions totaling \$5.5 million; and 56,906 sheets of maps. In addition, DLA deployed 17 people to NORTHCOM, NORTHCOM Deployment and Distribution Operations Center (NDDOC), Joint Task Force - Katrina (JTF-K), and Joint Task Force - Rita (JTF-R). In addition, in the first quarter of FY 2006 DLA provided support to the Pakistan earthquake relief efforts. Through 28 November 2005, DLA provided the following support: 3,116 tents, 200,000 blankets, 600 space heaters, 3,072 cases of MREs, 5,400 bottles of water, insect and tent netting, cold weather clothing and 300,000 humanitarian daily rations (HDRs).

Global War on Terrorism:

The DLA Non-Energy Supply Management Activities provide a wide range of supplies and services in support of the Global War on Terrorism (GWOT). DLA's efforts include providing 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 sales in support of GWOT efforts are:

(\$ in millions)	FY 2005	FY 2006	FY 2007
GWOT Sales	3,949.7	3,981.5	2,997.7

Industrial Plant Equipment (IPE):

The Industrial Plant Equipment business area of the Aviation Supply Chain provides a complete range of turn-key metalworking machinery services including: repair, rebuild, retrofit and remanufacture of machine tools; customer site maintenance; procurement of new machine tools and associated parts; equipment installation, test and check out services; machine condition assessment; machine shop layout; and conducting or arranging tool maintenance training. Reimbursable funding for this

function has increased over previous budget submissions due to reconstitution as a result of U.S. military actions. The five Army Depots are fully work loaded which is resulting in increases in their requirements for IPE. The Air Force has budgeted millions of dollars over the next six years for upgrading their maintenance capabilities to an improved mission capable level. Navy requirements have increased commensurate with the other services in an effort to revitalize their industrial base. Reimbursable funding budgeted for IPE is \$137.6 million in FY 2007, up \$103.8 million from PB 2006.

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

Direct appropriations provided in FY 2005 through FY 2007 included in this budget submission are detailed in the following chart and narrative.

DWCF Appropriation: (\$ in millions)	FY 2005	FY 2006	FY 2007
Reutilization, Transfer and Disposal Costs	38.8	35.4	15.6
Defense Finance and Accounting Systems Costs	3.6	1.3	2.1
Unused Warehouse Space	48.5	47.6	0.0
Meals Ready to Eat War Reserve	60.7	0.0	0.0
Total Appropriations	151.6	84.3	17.7

Defense Reutilization and Marketing Service (DRMS) - Part of the DRMS mission is to reutilize, transfer, or donate to authorized DoD and non-DoD recipients excess DoD personal property. These actions result in lower sales proceeds and are contrary to private industry practices. To bring Non-Energy costs more in line with commercial business practices, these costs are being funded by a direct appropriation as a military unique cost. The budgeted direct appropriation has been reduced in FY 2007 based on lower DRMS service level billing costs for DLA.

DFAS Systems Costs - To improve visibility to DFAS customers of the costs of DFAS systems, these costs were removed from DFAS rates beginning in FY 2004. These funds cover DLA's portion of the systems costs removed from DFAS rates.

PERFORMANCE INDICATORS

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

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

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. NOR is a financial management tool that measures the effectiveness of cost recovery rates, costs and revenue. Accumulated Operating Results reflects the long term, multi-year results of previous Net Operating Results. Its measurement describes the accumulated affects of Net Operating Results and demonstrates the fiscal strength over a longer time period. The following tables show the Non-Energy NOR/AOR included in this budget submission.

(\$ in millions)	FY 2005	FY 2006	FY 2007
Revenue	19,566.3	20,382.3	19,636.7
Expenses	19,374.7	20,252.8	19,579.5
Cost of Goods Sold	16,684.0	17,071.9	16,543.2
Operations	2,690.7	3,180.9	3,036.3
Unused Warehouse Space	48.5	47.6	0.0
Reutilization, Transfer and Disposal Costs	38.8	35.4	15.6
Defense Finance and Accounting Systems (DFAS) Costs	3.6	1.3	2.1
Cash Surcharge	0.0	-518.5	-204.2
Financing of Energy's Share of Corporate costs	48.8	52.4	50.3
Capital Surcharge	-53.6	-131.4	-2.2
Inventory Surcharge	-204.4	-35.0	-40.0
Net Operating Results	73.3	-418.7	-121.2
Prior Year Accumulated Operating Results	466.6	539.9	121.2
Ending Accumulated Operating Results	539.9	121.2	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 2005 and goals for FY 2006 and FY 2007.

Materiel Availability	FY 2005	FY 2006	FY 2007
Clothing & Textiles	93.4%	92.0%	92.0%
Medical	88.1%	88.0%	87.5%
Subsistence	100.0%	100.0%	100.0%
Construction & Equipment	87.3%	88.0%	88.0%
Aviation	87.3%	87.8%	88.1%
Land	85.2%	86.0%	86.0%
Maritime	88.9%	88.0%	88.0%

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:

(Dollars in Millions)	FY 2005	FY 2006	FY 2007
Non-Energy Gross Sales at Standard Unit Price	\$19,304.2	\$19,827.2	\$19,137.9

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.

Non-Energy	FY 2005	FY 2006	FY 2007
Costs (\$ in Millions)	\$19,105.5	\$18,651.1	\$18,364.1
Gross Sales (\$ in Millions)	\$19,304.2	\$19,827.2	\$19,137.9
Unit Cost Goal (per \$ of Sales)	0.99	0.94	0.96

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. 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 2005, FY 2006 and FY 2007, along with the DoD inflators:

Composite	FY 2005	FY 2006	FY 2007
CPC	0.9%	1.2%	0.6%
DoD Inflator	2.8%	2.5%	2.2%
CRR	15.0%	14.4%	12.5%

INVENTORY

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

	FY 2005	FY 2006	FY 2007
Beginning Inventory	11,368.7	11,852.2	11,774.7
Receipts	16,922.6	16,823.0	16,325.3
Sales	-16,828.0	-17,216.8	-16,676.4
Returns for Credit	143.9	144.9	133.1
Returns No Credit	242.3	288.4	249.1
Disposals	-230.6	-191.5	-212.0
Capitalization	137.6	12.0	1.0
Other	95.7	62.5	22.9
Ending Inventory	11,852.2	11,774.7	11,617.7

Leaning forward obligational authority to build inventory in support of future sales was received in FY 2004 and FY 2005. The drop in inventory in FY 2006 and FY 2007 is the result of the sale of leaning forward inventory purchased in FY 2004 and FY 2005.

CASH

Pricing decisions and workload projections result in estimates for cash collections, disbursements, and net outlays. DLA Non-Energy experienced a cash loss in FY 2005 due to increased investment in readiness items to support current world events and anticipated Depot Maintenance support. In FY 2006 and FY 2007 DLA Non-Energy plans to make cash by selling inventories.

Non-Energy (\$ in millions)	FY 2005	FY 2006	FY 2007
Disbursements	20,091.1	19,699.9	19,183.5
Collections	19,920.4	20,196.5	19,416.3
Appropriations	151.6	84.3	17.7
Reutilization, Transfer and Disposal Costs	38.8	35.4	15.6
Defense Finance and Accounting Systems Costs	3.6	1.3	2.1
Unused Warehouse Space	48.5	47.6	0.0
Meals Ready to Eat War Reserves	60.7	0.0	0.0
Net Outlays	19.1	-580.9	-250.5

In FY 2005, a direct appropriation of \$151.6 million was provided of which \$60.7 million was for meals ready to eat war reserve, \$48.5 million for unused warehouse space, \$38.8 million for reutilization, transfer, and disposal costs, and \$3.6 million for DFAS system costs.

In FY 2006, a direct appropriation of \$84.3 million was provided to include \$47.6 million for unused warehouse space, \$35.4 million for reutilization, transfer, and disposal costs, and \$1.3 million for DFAS system costs.

In FY 2007, direct appropriation of \$17.7 million is requested to include \$15.6 million for reutilization, transfer, and disposal costs, and \$2.1 million for DFAS system costs.

PERSONNEL

Personnel	FY 2005	FY 2006	FY 2007
End Strength			
Military	243	243	243
Civilian	10,519	11,497	10,569
Total	10,762	11,740	10,812
FTEs			
Military	243	243	243
Civilian	10,551	11,090	10,822
Total	10,794	11,333	11,065

CAPITAL BUDGET

	FY 2005	FY 2006	FY 2007
Equipment (non-ADP)	2.4	1.1	.8
Equipment (ADP/T)	11.5	14.5	5.6
Software	164.9	173.0	69.2
Minor Construction	5.7	3.5	3.4
Total	184.5	192.1	79.0

The capital budget funds investments that exceed the \$100,000 expense/investment criteria. There are four categories within the capital budget: (1) automated data processing equipment (ADPE), (2) non-ADPE, (3) software developed for operational and management information systems, and (4) minor construction projects.

The FY 2007 capital budget estimate of \$79.0 million reflects a decrease over the FY 2006 requirements in the amount of \$113.1 million. This reduction is primarily in the Software Development category as DLA's Enterprise Resource Planning (ERP) system reaches Full Operational Capability in FY 2006. ERP development effort in FY 2007 will focus on improvements to the system which include replacing the legacy procurement system with the SAP eProcurement module.

Business Systems Modernization (BSM) net savings totaling \$67.8 million are comprised of inventory and personnel reductions and are incorporated in this budget submission.

COTS ERP systems enable companies to reduce the inventory they hold by improving their demand forecasting accuracy and providing real-time data to improved supply chain management. Implementation of BSM will provide enterprise wide, real-time data on in-stock inventories to be used in order fulfillment decision and demand forecasts. The impact of the BSM effort on DLA's inventory was analyzed through a modeling and simulation effort of DLA materiel management processes in both the As-Is and To-Be environments. FY 2007 inventory savings total \$139.9 million.

Personnel reductions are realized as employees are more productive in a real-time, enterprise-wide automated system environment resulting from increased process efficiencies. More efficient systems and process performance is achieved through automation of manual tasks and transition from batch to real-time processing. FY 2007 personnel savings total \$4.4 million. This is comprised of labor and associated non-labor for equipment, communications, and travel.

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Non-Energy Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
February 2006
FY 2005
(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	1,435.3	2,228.8	2,524.3	2,265.4	0.0	0.0	2,265.4	0.0	2,265.4
MEDICAL	292.2	3,632.4	3,601.0	3,630.0	0.0	0.0	3,630.0	0.0	3,630.0
SUBSISTENCE	13.6	3,768.6	3,768.6	3,661.1	60.7	0.0	3,721.8	0.0	3,721.8
Construction & Equipment	467.8	2,661.2	2,701.3	2,713.4	0.0	0.0	2,713.4	0.0	2,713.4
AVIATION	5,473.4	3,402.7	3,414.8	3,428.9	0.0	0.0	3,428.9	0.0	3,428.9
Land	952.3	1,385.2	1,398.1	1,398.8	0.0	0.0	1,398.8	0.0	1,398.8
Maritime	2,986.4	1,621.8	1,632.3	1,548.4	0.0	0.0	1,548.4	0.0	1,548.4
BOS	1.4	9.4	9.4	8.9	0.0	0.0	8.9	0.0	8.9
DLIS	0.0	0.0	0.0	162.5	0.0	0.0	162.5	0.0	162.5
DAASC	0.0	0.0	0.0	32.8	0.0	0.0	32.8	0.0	32.8
Corporate	0.0	0.0	0.0	647.0	0.0	0.0	647.0	0.0	647.0
TOTAL Non-Energy Supply	11,622.4	18,710.1	19,049.8	19,497.2	60.7	0.0	19,557.9	0.0	19,557.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Non-Energy Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
February 2006
FY 2006
(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	1,359.2	2,423.5	2,535.9	1,947.2	0.0	0.0	1,947.2	220.7	2,167.9
MEDICAL	354.6	3,827.1	3,828.9	3,777.1	0.0	0.0	3,777.1	125.3	3,902.4
SUBSISTENCE	13.6	3,622.0	3,622.0	3,467.1	0.0	0.0	3,467.1	92.0	3,559.1
Construction & Equipment	465.2	2,818.1	2,843.9	2,770.6	0.0	0.0	2,770.6	94.3	2,864.9
AVIATION	5,432.7	3,562.8	3,551.5	3,325.4	0.0	0.0	3,325.4	145.4	3,470.8
Land	872.5	1,506.0	1,512.6	1,340.7	0.0	0.0	1,340.7	49.2	1,389.9
Maritime	2,980.5	1,761.0	1,752.2	1,659.9	0.0	0.0	1,659.9	60.4	1,720.3
BOS	0.9	9.4	9.4	8.9	0.0	0.0	8.9	0.0	8.9
DLIS	0.0	0.0	0.0	161.8	0.0	0.0	161.8	0.0	161.8
DAASC	0.0	0.0	0.0	37.8	0.0	0.0	37.8	0.0	37.8
Corporate	0.0	0.0	0.0	731.7	0.0	0.0	731.7	0.0	731.7
TOTAL	11,479.2	19,529.9	19,656.4	19,228.2	0.0	0.0	19,228.2	787.3	20,015.5

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Non-Energy Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
February 2006
FY 2007
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DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,410.1	2,224.2	2,347.1	2,098.8	0.0	0.0	2,098.8	137.2	2,236.0
MEDICAL	368.8	3,925.1	3,926.6	3,867.2	0.0	0.0	3,867.2	127.3	3,994.5
SUBSISTENCE	13.6	3,215.9	3,215.8	3,087.7	0.0	0.0	3,087.7	88.4	3,176.1
Construction & Equipment	442.1	2,673.6	2,738.7	2,629.9	0.0	0.0	2,629.9	91.8	2,721.7
AVIATION	5,248.6	3,517.5	3,525.0	3,340.6	0.0	0.0	3,340.6	132.5	3,473.1
Land	866.4	1,482.9	1,486.5	1,404.3	0.0	0.0	1,404.3	45.9	1,450.2
Maritime	2,960.9	1,721.8	1,729.4	1,650.3	0.0	0.0	1,650.3	56.6	1,706.9
BOS	0.4	9.7	9.7	9.2	0.0	0.0	9.2	0.0	9.2
DLIS	0.0	0.0	0.0	165.8	0.0	0.0	165.8	0.0	165.8
DAASC	0.0	0.0	0.0	36.5	0.0	0.0	36.5	0.0	36.5
Corporate	0.0	0.0	0.0	642.5	0.0	0.0	642.5	0.0	642.5
TOTAL	11,310.9	18,770.7	18,978.8	18,932.8	0.0	0.0	18,932.8	679.7	19,612.5

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
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Fiscal Year (FY) 2007 Budget Estimates
February 2006
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(\$ in millions)

Non-Energy Supply	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	11,368.7	311.6	6,153.4	4,903.7
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	94.3	-16.3	130.2	-19.6
b. Price Change Amount (Memo)	-152.9	0.1	-70.0	-83.0
c. Inventory Reclassified and Repriced	11,310.1	295.4	6,213.6	4,801.1
RECEIPTS AT COST	16,922.6	429.7	16,492.9	0.0
GROSS SALES AT COST	-16,828.0	-480.4	-16,347.6	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	137.6	0.0	105.4	32.2
Transfer to other DLA ICPs	-1.5	0.0	-1.0	-0.5
Transfer from other DLA ICPs	1.4	0.0	1.0	0.4
b. Returns from Customers for Credit	143.9	0.0	143.9	0.0
c. Returns for Customers without Credit	242.3	4.2	5.0	233.1
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-230.6	-1.7	-10.0	-218.9
f. Issues/Receipts without Reimbursement (+/-)	-50.1	-0.1	-47.1	-2.9
g. Other (List and Explain)	204.4	-17.3	77.0	144.7
h. Total Adjustments	447.4	-14.9	274.2	188.1
INVENTORY - End of Period (EOP)	11,852.2	229.8	6,633.2	4,989.2
INVENTORY ON ORDER EOP	5,198.0	346.6	4,851.4	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
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(\$ in millions)

Non-Energy Supply	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	11,852.2	229.8	6,633.2	4,989.2
BOP INVENTORY ADJUSTMENTS				
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	11,852.2	229.8	6,633.2	4,989.2
RECEIPTS AT COST	16,823.0	307.0	16,516.0	0.0
GROSS SALES AT COST	-17,216.8	-244.8	-16,972.0	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	12.0	0.0	4.0	8.0
Transfer to other DLA ICPs	-5.0	0.0	-3.0	-2.0
Transfer from other DLA ICPs	6.0	0.0	3.0	3.0
b. Returns from Customers for Credit	144.9	0.0	144.9	0.0
c. Returns for Customers without Credit	288.4	1.0	5.0	282.4
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-191.5	0.0	-10.0	-181.5
f. Issues/Receipts without Reimbursement (+/-)	-7.0	-1.0	-4.0	-2.0
g. Other (List and Explain)	68.4	3.4	27.3	37.7
h. Total Adjustments	316.2	3.4	167.1	145.6
INVENTORY - End of Period (EOP)	11,774.7	295.4	6,344.4	5,134.8
INVENTORY ON ORDER EOP	5,267.6	118.9	5,148.7	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
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FY 2007 Inventory Status
(\$ in millions)

Non-Energy Supply	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	11,774.7	295.4	6,344.4	5,134.8
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	21.5	-21.5
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	11,774.7	295.4	6,365.9	5,113.3
RECEIPTS AT COST	16,325.3	225.9	16,099.4	0.0
GROSS SALES AT COST	-16,676.4	-218.1	-16,458.3	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	1.0	0.0	1.0	0.0
Transfer to other DLA ICPs	-5.0	0.0	-3.0	-2.0
Transfer from other DLA ICPs	3.0	0.0	0.0	3.0
b. Returns from Customers for Credit	133.1	0.0	133.1	0.0
c. Returns for Customers without Credit	249.1	1.0	5.0	243.1
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-212.0	-1.0	-5.0	-206.0
f. Issues/Receipts without Reimbursement (+/-)	-5.9	0.0	-4.0	-1.9
g. Other (List and Explain)	30.7	3.5	16.0	11.2
h. Total Adjustments	194.1	3.5	143.2	47.4
INVENTORY - End of Period (EOP)	11,617.7	306.7	6,150.2	5,160.7
INVENTORY ON ORDER EOP	5,053.2	121.4	4,931.8	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
February 2006
FY 2005 Inventory Status
(\$ in millions)

Total Troop	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	2,410.8	223.2	1,778.9	408.7
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	0.0	0.0
b. Price Change Amount (Memo)	0.1	0.1	0.0	0.0
c. Inventory Reclassified and Repriced	2,410.9	223.3	1,778.9	408.7
RECEIPTS AT COST	11,670.8	429.7	11,241.1	0.0
GROSS SALES AT COST	-11,575.0	-480.4	-11,094.6	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.1	0.0	0.1	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	26.7	0.0	26.7	0.0
c. Returns for Customers without Credit	93.6	4.2	5.0	84.4
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-45.9	-1.7	-10.0	-34.2
f. Issues/Receipts without Reimbursement (+/-)	-48.1	-0.1	-45.1	-2.9
g. Other (List and Explain)	-134.6	14.6	-154.5	5.3
h. Total Adjustments	-108.2	17.0	-177.8	52.6
INVENTORY - End of Period (EOP)	2,398.5	189.6	1,747.6	461.3
INVENTORY ON ORDER EOP	2,709.9	346.6	2,363.3	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
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(\$ in millions)

Total Troop	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	2,398.5	189.6	1,747.6	461.3
BOP INVENTORY ADJUSTMENTS				
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	2,398.5	189.6	1,747.6	461.3
RECEIPTS AT COST	11,718.1	307.0	11,411.1	0.0
GROSS SALES AT COST	-11,823.2	-244.8	-11,578.4	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	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	40.7	0.0	40.7	0.0
c. Returns for Customers without Credit	90.8	1.0	5.0	84.8
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-32.5	0.0	-10.0	-22.5
f. Issues/Receipts without Reimbursement (+/-)	-3.0	-1.0	0.0	-2.0
g. Other (List and Explain)	58.4	3.4	17.3	37.7
h. Total Adjustments	154.4	3.4	53.0	98.0
INVENTORY - End of Period (EOP)	2,447.8	255.2	1,633.2	559.3
INVENTORY ON ORDER EOP	2,412.0	118.9	2,293.1	0.0

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
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 (\$ in millions)

Total Troop	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	2,447.8	255.2	1,633.2	559.3
BOP INVENTORY ADJUSTMENTS				
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	2,447.8	255.2	1,633.2	559.3
RECEIPTS AT COST	11,266.3	225.9	11,040.4	0.0
GROSS SALES AT COST	-11,281.4	-218.1	-11,063.3	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	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	37.8	0.0	37.8	0.0
c. Returns for Customers without Credit	65.3	1.0	5.0	59.3
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-53.0	-1.0	-5.0	-47.0
f. Issues/Receipts without Reimbursement (+/-)	-1.9	0.0	0.0	-1.9
g. Other (List and Explain)	20.3	3.5	5.6	11.2
h. Total Adjustments	68.5	3.5	43.4	21.6
INVENTORY - End of Period (EOP)	2,501.1	266.5	1,653.7	580.9
INVENTORY ON ORDER EOP	2,230.6	121.4	2,109.2	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
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(\$ in millions)

Weapon System	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	8,956.0	88.4	4,372.6	4,495.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	94.3	-16.3	130.2	-19.6
b. Price Change Amount (Memo)	-153.0	0.0	-70.0	-83.0
c. Inventory Reclassified and Repriced	8,897.3	72.1	4,432.8	4,392.4
RECEIPTS AT COST	5,243.1	0.0	5,243.1	0.0
GROSS SALES AT COST	-5,243.5	0.0	-5,243.5	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	137.5	0.0	105.3	32.2
Transfer to other DLA ICPS	-1.5	0.0	-1.0	-0.5
Transfer from other DLA ICPS	1.4	0.0	1.0	0.4
b. Returns from Customers for Credit	117.2	0.0	117.2	0.0
c. Returns for Customers without Credit	148.7	0.0	0.0	148.7
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-184.7	0.0	0.0	-184.7
f. Issues/Receipts without Reimbursement (+/-)	-2.0	0.0	-2.0	0.0
g. Other (List and Explain)	338.8	-31.9	231.3	139.4
h. Total Adjustments	555.4	-31.9	451.8	135.5
INVENTORY - End of Period (EOP)	9,452.3	40.2	4,884.2	4,527.9
INVENTORY ON ORDER EOP	2,488.1	0.0	2,488.1	0.0

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
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 FY 2006 Inventory Status
 (\$ in millions)

Weapon System	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	9,452.3	40.2	4,884.2	4,527.9
BOP INVENTORY ADJUSTMENTS				
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	9,452.3	40.2	4,884.2	4,527.9
RECEIPTS AT COST	5,096.0	0.0	5,096.0	0.0
GROSS SALES AT COST	-5,384.1	0.0	-5,384.1	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	12.0	0.0	4.0	8.0
Transfer to other DLA ICPs	-5.0	0.0	-3.0	-2.0
Transfer from other DLA ICPs	6.0	0.0	3.0	3.0
b. Returns from Customers for Credit	104.2	0.0	104.2	0.0
c. Returns for Customers without Credit	197.6	0.0	0.0	197.6
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-159.0	0.0	0.0	-159.0
f. Issues/Receipts without Reimbursement (+/-)	-4.0	0.0	-4.0	0.0
g. Other (List and Explain)	10.0	0.0	10.0	0.0
h. Total Adjustments	161.7	0.0	114.1	47.6
INVENTORY - End of Period (EOP)	9,326.0	40.2	4,710.2	4,575.5
INVENTORY ON ORDER EOP	2,855.6	0.0	2,855.6	0.0

DEFENSE LOGISTICS AGENCY
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(\$ in millions)

Weapon System	Total	Mobilization	Peacetime	
			Operating	Other
INVENTORY - Beginning of Period (BOP)	9,326.0	40.2	4,710.2	4,575.5
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)	0.0	0.0	21.5	-21.5
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	9,326.0	40.2	4,731.7	4,554.0
RECEIPTS AT COST	5,049.8	0.0	5,049.8	0.0
GROSS SALES AT COST	-5,385.2	0.0	-5,385.2	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	1.0	0.0	1.0	0.0
Transfer to other DLA ICPS	-5.0	0.0	-3.0	-2.0
Transfer from other DLA ICPS	3.0	0.0	0.0	3.0
b. Returns from Customers for Credit	95.3	0.0	95.3	0.0
c. Returns for Customers without Credit	183.8	0.0	0.0	183.8
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	-159.0	0.0	0.0	-159.0
f. Issues/Receipts without Reimbursement (+/-)	-4.0	0.0	-4.0	0.0
g. Other (List and Explain)	10.4	0.0	10.4	0.0
h. Total Adjustments	125.6	0.0	99.8	25.8
INVENTORY - End of Period (EOP)	9,116.1	40.2	4,496.1	4,579.8
INVENTORY ON ORDER EOP	2,822.6	0.0	2,822.6	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Supply Non-Energy Total	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	12,220.0	15,943.5	16,861.4
2. Less: Materiel Inflation Adjustment	156.1	272.0	371.0
3. Revised Net Sales @ Cost	12,063.9	15,671.5	16,490.4
4. Surcharge (\$)	1,833.4	2,295.3	2,107.6
5. Change to Customers			
a. Previous Year's Surcharge (%)	15.5%	15.0%	14.4%
b. This Year's Surcharge (\$) divided by line 3 above	15.0%	14.4%	12.5%
c. Percent Change to Customer	0.9%	1.2%	0.6%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
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FEBRUARY 2006
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Troop Support Summary	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	6,963.5	10,080.8	11,395.3
2. Less: Materiel Inflation Adjustment	89.5	201.6	250.7
3. Revised Net Sales @ Cost	6,874.0	9,879.2	11,144.6
4. Surcharge (\$)	583.9	794.1	832.9
5. Change to Customers			
a. Previous Year's Surcharge (%)	10.5%	8.4%	7.9%
b. This Year's Surcharge (\$) divided by line 3 above	8.4%	7.9%	7.3%
c. Percent Change to Customer	-0.6%	1.6%	1.7%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Weapons Systems Summary	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	5,256.5	5,862.7	5,466.1
2. Less: Materiel Inflation Adjustment	66.6	70.4	120.3
3. Revised Net Sales @ Cost	5,189.9	5,792.3	5,345.8
4. Surcharge (\$)	1,249.5	1,501.2	1,274.7
5. Change to Customers			
a. Previous Year's Surcharge (%)	23.2%	23.8%	25.6%
b. This Year's Surcharge (\$) divided by line 3 above	23.8%	25.6%	23.3%
c. Percent Change to Customer	1.8%	2.7%	0.4%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
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 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Supply Non-Energy Total	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	12,220.0	15,943.5	16,861.4
2. Less: Materiel Inflation Adjustment	156.1	272.0	371.0
3. Revised Net Sales @ Cost	12,063.9	15,671.5	16,490.4
4. Surcharge (\$)	1,833.4	2,295.3	2,107.6
5. Change to Customers			
a. Previous Year's Surcharge (%)	15.5%	15.0%	14.4%
b. This Year's Surcharge (\$) divided by line 3 above	15.0%	14.4%	12.5%
c. Percent Change to Customer	0.9%	1.2%	0.6%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
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WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Troop Support Summary	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	6,963.5	10,080.8	11,395.3
2. Less: Materiel Inflation Adjustment	89.5	201.6	250.7
3. Revised Net Sales @ Cost	6,874.0	9,879.2	11,144.6
4. Surcharge (\$)	583.9	794.1	832.9
5. Change to Customers			
a. Previous Year's Surcharge (%)	10.5%	8.4%	7.9%
b. This Year's Surcharge (\$) divided by line 3 above	8.4%	7.9%	7.3%
c. Percent Change to Customer	-0.6%	1.6%	1.7%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2007 Budget Estimates
 FEBRUARY 2006
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

	FY 2005	FY 2006	FY 2007
Clothing and Textile			
1. Net Sales at Cost	1,274.0	2,235.3	2,156.3
2. Less: Materiel Inflation Adjustment	16.6	44.7	47.4
3. Revised Net Sales @ Cost	1,257.4	2,190.6	2,108.9
4. Surcharge (\$)	114.7	201.2	190.8
5. Change to Customers			
a. Previous Year's Surcharge (%)	9.0%	9.0%	9.0%
b. This Year's Surcharge (\$) divided by line 3 above	9.0%	9.0%	8.8%
c. Percent Change to Customer	1.3%	2.0%	2.1%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

	FY 2005	FY 2006	FY 2007
Medical			
1. Net Sales at Cost	2,353.1	3,485.1	3,770.1
2. Less: Materiel Inflation Adjustment	31.0	69.7	82.9
3. Revised Net Sales @ Cost	2,322.1	3,415.4	3,687.2
4. Surcharge (\$)	112.9	161.3	156.4
5. Change to Customers			
a. Previous Year's Surcharge (%)	4.8%	4.8%	4.6%
b. This Year's Surcharge (\$) divided by line 3 above	4.8%	4.6%	4.1%
c. Percent Change to Customer	1.3%	1.9%	1.8%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
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FEBRUARY 2006
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	FY 2005	FY 2006	FY 2007
Subsistence			
1. Net Sales at Cost	1,512.6	2,014.6	2,943.6
2. Less: Materiel Inflation Adjustment	18.2	40.3	64.8
3. Revised Net Sales @ Cost	1,494.4	1,974.3	2,878.8
4. Surcharge (\$)	167.3	215.4	272.3
5. Change to Customers			
a. Previous Year's Surcharge (%)	10.7%	11.1%	10.7%
b. This Year's Surcharge (\$) divided by line 3 above	11.1%	10.7%	9.2%
c. Percent Change to Customer	1.5%	1.7%	0.9%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
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FEBRUARY 2006
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

	FY 2005	FY 2006	FY 2007
Contstruction & Equipment			
1. Net Sales at Cost	1,823.8	2,345.8	2,525.3
2. Less: Materiel Inflation Adjustment	23.7	46.9	55.6
3. Revised Net Sales @ Cost	1,800.1	2,298.9	2,469.7
4. Surcharge (\$)	188.9	216.2	213.4
5. Change to Customers			
a. Previous Year's Surcharge (%)	19.1%	10.4%	9.2%
b. This Year's Surcharge (\$) divided by line 3 above	10.4%	9.2%	8.4%
c. Percent Change to Customer	-6.1%	1.0%	1.5%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Weapons Systems Summary	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	5,256.5	5,862.7	5,466.1
2. Less: Materiel Inflation Adjustment	66.6	70.4	120.3
3. Revised Net Sales @ Cost	5,189.9	5,792.3	5,345.8
4. Surcharge (\$)	1,249.5	1,501.2	1,274.7
5. Change to Customers			
a. Previous Year's Surcharge (%)	23.2%	23.8%	25.6%
b. This Year's Surcharge (\$) divided by line 3 above	23.8%	25.6%	23.3%
c. Percent Change to Customer	1.8%	2.7%	0.4%

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group
 Fiscal Year (FY) 2007 Budget Estimates
 FEBRUARY 2006
 WHOLESALE ONLY - CUSTOMER PRICE CHANGE

	FY 2005	FY 2006	FY 2007
Aviation			
1. Net Sales at Cost	2,802.8	3,192.9	2,860.0
2. Less: Materiel Inflation Adjustment	33.6	17.0	62.9
3. Revised Net Sales @ Cost	2,769.2	3,175.9	2,797.1
4. Surcharge (\$)	606.9	805.2	665.0
5. Change to Customers			
a. Previous Year's Surcharge (%)	22.7%	21.7%	25.2%
b. This Year's Surcharge (\$) divided by line 3 above	21.7%	25.2%	23.2%
c. Percent Change to Customer	0.4%	3.5%	0.6%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Land	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	1,128.8	1,239.7	1,234.1
2. Less: Materiel Inflation Adjustment	15.8	24.8	27.2
3. Revised Net Sales @ Cost	1,113.0	1,214.9	1,206.9
4. Surcharge (\$)	262.9	283.1	252.3
5. Change to Customers			
a. Previous Year's Surcharge (%)	24.0%	23.3%	22.8%
b. This Year's Surcharge (\$) divided by line 3 above	23.3%	22.8%	20.4%
c. Percent Change to Customer	0.8%	1.7%	0.3%

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Maritime	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	1,324.9	1,430.1	1,372.0
2. Less: Materiel Inflation Adjustment	17.2	28.6	30.2
3. Revised Net Sales @ Cost	1,307.7	1,401.5	1,341.8
4. Surcharge (\$)	379.7	412.9	357.4
5. Change to Customers			
a. Previous Year's Surcharge (%)	24.0%	28.7%	28.9%
b. This Year's Surcharge (\$)	28.7%	28.9%	26.0%
c. Percent Change to Customer	5.1%	2.2%	0.0%

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
War Reserve Material Stockpile
February 2006
FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	311.6	196.8	114.8
2. Price Change	(16.3)	-	(16.3)
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	429.7	418.6	11.1
(1). Purchases	429.7	418.6	11.1
(2). Returns from customers	-	-	-
b. Issues @ cost	(480.4)	(466.7)	(13.7)
(1). Sales	(480.4)	(466.7)	(13.7)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	(14.8)	27.2	(42.0)
(1). Capitalizations	-	-	-
(2). Gains and Losses	27.2	27.2	-
(3.) Other	(42.0)	-	(42.0)
5. Inventory EOP	229.8	175.9	53.9
WRM STOCKPILE COSTS			
1. Storage	18.0	4.6	13.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	18.0	4.6	13.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	432.3	418.6	13.7
a. Additional WRM	60.7	60.7	-
b. Replen. WRM	371.6	357.9	13.7
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	432.3	418.6	13.7

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Total Troop Support
Fiscal Year (FY) 2007 Budget Estimates
War Reserve Material Stockpile
February 2006
FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	223.2	196.8	26.4
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	429.7	418.6	11.1
(1). Purchases	429.7	418.6	11.1
(2). Returns from customers	-	-	-
b. Issues @ cost	(13.7)	(466.7)	(13.7)
(1). Sales	(13.7)	(466.7)	(13.7)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	17.1	27.2	(10.1)
(1). Capitalizations	-	-	-
(2). Gains and Losses	27.2	27.2	-
(3.) Other	(10.1)	-	(10.1)
5. Inventory EOP	656.3	175.9	13.7
WRM STOCKPILE COSTS			
1. Storage	13.9	4.6	9.3
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	13.9	4.6	9.3
WRM BUDGET REQUEST			
1. Obligations @ Cost	432.3	418.6	13.7
a. Additional WRM	60.7	60.7	-
b. Replen. WRM	371.6	357.9	13.7
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	432.3	418.6	13.7

Defense Logistics Agency
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group: Total Weapons Support
 Fiscal Year (FY) 2007 Budget Estimates
 War Reserve Material Stockpile
 February 2006
 FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	88.4	-	88.4
2. Price Change	(16.3)	-	(16.3)
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(13.7)	-	-
(1). Sales	(13.7)	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	(31.9)	-	(31.9)
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	(31.9)	-	(31.9)
5. Inventory EOP	26.5	-	40.2
WRM STOCKPILE COSTS			
1. Storage	4.2	-	4.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	4.2	-	4.2
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
Fiscal Year (FY) 2007 Budget Estimates
War Reserve Material Stockpile
February 2006
FY 2006

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	229.8	175.9	53.9
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	307.0	304.0	3.0
(1). Purchases	307.0	304.0	3.0
(2). Returns from customers	-	-	-
b. Issues @ cost	(244.8)	(244.8)	-
(1). Sales	(244.8)	(244.8)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	3.4	-	3.4
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	3.4	-	3.4
5. Inventory EOP	295.4	235.1	60.3
WRM STOCKPILE COSTS			
1. Storage	29.6	6.6	22.9
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	29.6	6.6	22.9
WRM BUDGET REQUEST			
1. Obligations @ Cost	307.0	304.0	3.0
a. Additional WRM	-	-	-
b. Replen. WRM	307.0	304.0	3.0
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	307.0	304.0	3.0

Defense Logistics Agency
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group: Total Troop Support
Fiscal Year (FY) 2007 Budget Estimates
War Reserve Material Stockpile
February 2006
FY 2006

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	189.6	175.9	13.7
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	307.0	304.0	3.0
(1). Purchases	307.0	304.0	3.0
(2). Returns from customers	-	-	-
b. Issues @ cost	(244.8)	(244.8)	-
(1). Sales	(244.8)	(244.8)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	3.4	-	3.4
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	3.4	-	3.4
5. Inventory EOP	255.2	235.1	20.1
WRM STOCKPILE COSTS			
1. Storage	23.9	6.6	17.3
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	23.9	6.6	17.3
WRM BUDGET REQUEST			
1. Obligations @ Cost	307.0	304.0	3.0
a. Additional WRM	-	-	-
b. Replen. WRM	307.0	304.0	3.0
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	307.0	304.0	3.0

Defense Logistics Agency
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group: Total Weapons Support
 Fiscal Year (FY) 2007 Budget Estimates
 War Reserve Material Stockpile
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 FY 2006

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	40.2	-	40.2
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	40.2	-	40.2
WRM STOCKPILE COSTS			
1. Storage	5.6	-	5.6
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	5.6	-	5.6
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
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FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	295.4	235.1	60.3
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	225.9	225.9	-
(1). Purchases	225.9	225.9	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(218.1)	(218.1)	-
(1). Sales	(218.1)	(218.1)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	3.5	-	3.5
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	3.5	-	3.5
5. Inventory EOP	306.7	242.9	63.8
WRM STOCKPILE COSTS			
1. Storage	29.2	6.7	22.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	29.2	6.7	22.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	225.9	225.9	-
a. Additional WRM	-	-	-
b. Replen. WRM	225.9	225.9	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	225.9	225.9	-

Defense Logistics Agency
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Non-Energy Supply Management Activity Group: Total Troop Support
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February 2006
FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	255.2	235.1	20.1
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	225.9	225.9	-
(1). Purchases	225.9	225.9	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(218.1)	(218.1)	-
(1). Sales	(218.1)	(218.1)	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	3.5	-	3.5
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	3.5	-	3.5
5. Inventory EOP	266.5	242.9	23.6
WRM STOCKPILE COSTS			
1. Storage	23.5	6.7	16.7
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	23.5	6.7	16.7
WRM BUDGET REQUEST			
1. Obligations @ Cost	225.9	225.9	-
a. Additional WRM	-	-	-
b. Replen. WRM	225.9	225.9	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	225.9	225.9	-

Defense Logistics Agency
 Defense-Wide Working Capital Fund
 Non-Energy Supply Management Activity Group: Total Weapons Support
 Fiscal Year (FY) 2007 Budget Estimates
 War Reserve Material Stockpile
 February 2006
 FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	40.2	-	40.2
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	40.2	-	40.2
WRM STOCKPILE COSTS			
1. Storage	5.8	-	5.8
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	5.8	-	5.8
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
Source of New Orders and Revenue
Fiscal Year (FY) 2007 Budget Estimates
February 2006
Total Non-Energy
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
a. Orders from DoD Components	16,869.1	17,871.5	17,157.6
Army	8,306.6	8,011.9	7,618.4
Navy	3,142.0	3,581.0	3,415.2
Air Force	3,443.8	4,015.1	3,922.5
Marine Corps	850.5	964.9	905.1
Other	818.5	992.4	983.7
DECA	307.7	306.2	312.7
b. Orders from Other Activity Groups	402.8	381.8	359.5
c. Total DoD	17,271.9	18,253.3	17,517.1
d. Other Orders:	1,692.7	1,447.4	1,412.8
Other Federal Agencies	725.7	479.5	458.8
Non-Federal Agencies	423.9	335.3	327.3
Foreign Military Sales	543.1	632.6	626.7
Total New Orders	18,964.6	19,700.7	18,929.9
2. Carry-In Orders	2,621.4	2,380.6	2,241.7
3. Total Gross Orders	21,586.0	22,081.3	21,171.6
4. Revenue	19,304.2	19,827.2	19,137.9
5. Backorders	2,281.8	2,254.1	2,033.7

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Non-Energy Supply Management Activity Group
Fiscal Year (FY) 2007 Budget Estimates
Revenue and Expenses
February 2006
(\$ in millions)

	FY 2005	FY 2006	FY 2007
Revenue:			
Gross Sales @ Standard Operations	19,304.2	19,827.2	19,137.9
Capital Surcharge	53.6	131.4	2.2
Depreciation	49.4	48.9	82.0
Other Income	516.6	725.9	657.9
Refunds/Discounts (-)	-254.5	-170.8	-159.1
Total Income:	19,566.3	20,382.3	19,636.7
Expenses:			
Cost of Material Sold from Inventory	16,684.0	17,071.9	16,543.2
Salaries and Wages:			
Military Personnel Compensation & Benefits	23.5	24.4	22.7
Civilian Personnel Compensation & Benefits	801.0	920.3	936.4
Travel & Transportation of Personnel	32.7	33.0	31.7
Materials & Supplies (For Internal Operations)	32.6	32.5	33.7
Equipment	69.3	72.3	76.9
Other Purchases from Revolving Funds	775.9	908.4	879.8
Transportation of Things	167.7	111.0	101.9
Depreciation - Capital	59.6	67.9	103.5
Printing and Reproduction	12.7	12.5	11.3
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communication, Utilities & Misc. Charges	39.4	42.1	41.6
Other Purchased Services	676.3	956.5	796.8
Total Expenses	19,374.7	20,252.8	19,579.5
Operating Result	191.6	129.5	57.2
Less Capital Surcharge Reservation	-53.6	-131.4	-2.2
Plus Passthroughs or Other Appropriations Affecting NOR	90.9	84.3	17.7
Other Changes Affecting NOR	-155.6	-501.1	-193.9
Net Operating Result	73.3	-418.7	-121.2
Prior Year AOR	466.6	539.9	121.2
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	539.9	121.2	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Energy
FISCAL YEAR (FY) 2007 Budget Estimates
February 2006

FUNCTIONAL DESCRIPTION

The Defense Energy Support Center (DESC) located at Fort Belvoir, Virginia, provides comprehensive worldwide energy support for the military services and other authorized customers. 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

Fuel market price increases resulting from growing world demand, limited refining capacity, and the impact of hurricane damage on the US refining industry resulted in significant DoD fuel losses in FY 2005. These losses were substantially funded from the FY 2005 Supplemental. The current budget estimate reflects significant increases in fuel cost assumptions in all years and are in line with current market projections.

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

Direct appropriations for Energy which were provided in FY 2005 and FY 2006 are detailed in the following table and narrative.

DWCF Energy Appropriations: Dollars in Millions)	FY 2005	FY 2006
Fuel Costs	\$842.3	\$2,200.0
Iraq Fuel Delivery and Transportation	\$252.0	\$0.0
Fuel Facility Study and Disposal	\$28.5	\$0.0
Hurricane Supplemental	\$0.4	\$15.0
Total Appropriations	\$1,123.2	\$2,215.00

FY 2005

Fuel Costs - Title IX of the Department of Defense (DoD) Appropriations Act, 2005 (P.L. 109-13) appropriated \$842.3 million to the Defense Working Capital Fund (DWCF) to offset continuing fuel losses resulting from record high fuel market prices.

Iraq Fuel Delivery and Transportation - Title IX of the DoD Appropriations Act, 2005 (P.L. 109-13) appropriated \$402.0 million to the DWCF to fund transportation and delivery costs of fuel delivery to U.S. Forces in Iraq. The responsibility for Iraq fuel transportation, previously performed by Army O&M, transferred to DWCF in FY 2005. A delay in the transfer of the mission required the transfer of \$150.0 million from DWCF to Army O&M, to reimburse Army operating costs prior to the transfer.

Fuel Facility Study and Disposal - Title IX of the DoD Appropriations Act, 2005 (P.L. 109-13) appropriated \$28.5 million to the DWCF to study and evaluate the conditions of DoD fuel facilities and to dispose of unneeded fuel facilities.

Hurricane Supplemental - Military Construction Appropriations and Emergency Hurricane Supplemental Appropriations Act, 2005 (P.L. 108-324) appropriated \$0.4 million to DWCF to repair fuel facilities damaged as a result of hurricanes and other natural disasters.

FY 2006

Fuel Costs - Title IX of the Department of Defense (DoD) Appropriations Act, 2006 (P.L. 109-148) appropriated \$2.2 billion to the Defense Working Capital Fund (DWCF) to fund unanticipated fuel price increases and increasing wartime consumption. In FY 2006 the DWCF increased the DWCF fuel rates to customers commensurate with DWCF fuel costs increases. As a result, the majority of the \$2.2 billion appropriation will be transferred to DWCF customers to pay higher DWCF fuel rates.

Hurricane Supplemental - \$15.0 million was reprogrammed from the Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising From the Consequences of Hurricane Katrina, 2005 (P.L. 109-62), to DWCF to repair fuel facilities damaged by Hurricane Katrina.

FUEL CLAIMS

The Defense Energy Support Center (DESC) won a significant victory in the federal appeals court. In late April 2005, the U.S. Court of Appeals for the Federal Circuit reversed two lower court decisions which had declared illegal the market index-based pricing method DESC uses in bulk fuel purchase contracts. Had DESC lost the appeals and the initial rulings stood, it would have opened DESC up to \$3 billion in claims. Litigation had been ongoing since 1992. As a result of the appeal court's precedential ruling, 26 cases pending in Federal Claims were dismissed and judgment entered for the federal government. Nonetheless, the plaintiffs are attempting to go forward on other counts in their complaints and have asked for a rehearing by the full Court of Appeals, so the litigation is not finished.

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 operations in Iraq and Afghanistan. FY 2006 and FY 2007 estimates represent a decline from the FY 2005 sales levels to reflect anticipated decline of operations tempo in Iraq.

(Barrels in Millions)	FY 2005	FY 2006	FY 2007
Energy - Net barrels sold	132.8	129.6	129.5

Net Operating Results (NOR):

Energy NOR (Dollars in Millions)	FY 2005	FY 2006	FY 2007
Revenue	\$8,452.6	\$11,335.9	\$11,074.1
Expenses	\$10,150.8	\$11,356.7	\$11,152.8
Cost of Goods Sold	\$9,083.8	\$10,050.4	\$9,791.2
Operations	\$1,067.0	\$1,306.3	\$1,360.9
Operating Result	\$-1,698.2	\$-20.8	\$-78.7
Other Changes Affecting Net Operating Results			
Direct Appropriation - Fuel Costs	\$842.3	\$2,200.0	\$0.0
Direct Appropriation - Iraq Delivery & Trans	\$252.0	\$0.0	\$0.0
Direct Appropriation - Fuel Study	\$28.5	\$0.0	\$0.0
Supplemental - Hurricane Transfers	\$0.4	\$15.0	\$0.0
	\$0.0	\$-2,141.3	\$0.0
Net Operating Results	\$-575.0	\$53.0	\$-78.7
Prior Year Accumulated Operating Results	\$185.5	\$-389.6	\$-336.6
Ending Accumulated Operating Results	\$-389.6	\$-336.6	\$-415.3

The FY 2005 Energy Net Operating Result of \$-575.0 million reflects Energy losses due to continuing high market prices. Operating losses resulting from higher fuel costs were significantly offset by direct and supplemental funding, as well as a mid-year rate increase to the standard rate charged to customers.

The FY 2006 Energy Net Operating Result of \$53.0 million reflects the increase in revenue resulting from the increase to the standard price charged to customers. A majority of the direct funding for increased fuel costs will be transferred to customers paying the higher standard price.

The FY 2007 Energy Net Operating Result of -\$78.7 million reflects the continued, although lesser, impact of higher product costs.

UNIT COST

Unit cost for petroleum products is the per barrel cost for refined fuel purchased by DESC.

Energy Petroleum Unit Cost	FY 2005	FY 2006	FY 2007
Unit Cost Goal (Dollars per barrel)	\$84.71	\$78.80	\$82.00

Energy Pricing (Petroleum):

The Department of Defense petroleum pricing is based on crude oil forecasts provided by the Office of Management and Budget (OMB). The OMB establishes petroleum rates with input from the Departments of Defense, Energy, Treasury and Commerce. The current budget estimate reflects significant increases in fuel cost assumptions in all years, which translate to increases in fuel pricing.

Fueled by growing world demand and limited refining capacity, along with the impact of hurricane damage on the US refining industry, FY 2005 crude oil prices on world petroleum markets reached record high levels. The resulting losses in the DWCF resulting from higher fuel costs necessitated a mid-year energy price increase in FY 2005 (from \$56.28 to \$73.08 per barrel), and a revision to the FY 2006 fuel rate published in the FY 2006 President's Budget (from \$61.74 to \$89.88 per barrel).

In the second quarter of FY 2006, DoD adjusted its original fuel price downward (from \$89.88 to \$84.00 per barrel) to reflect current OMB estimates and current FY 2006 year experience.

The following table provides the average standard price for petroleum charged to customers for FY 2005 - FY 2007.

Energy	FY 2005	FY 2006	FY 2007
Standard Price for Petroleum (\$/barrel)	\$62.06	\$85.97	\$84.00

INVENTORY

Energy Inventory:

FY 2005 ending inventory of 59.3 million barrels is 0.7 million barrels below inventory levels identified in the FY 2006 President's Budget. Increased FY 2005 sales, along with higher market prices, resulted in inventory levels slightly below plan. Inventory levels are budgeted to remain at current levels through the budget period.

In the following table, "losses" refers to spills, evaporation, shrinkage, contamination, and other factors.

Energy Inventory (Barrels in Millions)	FY 2005	FY 2006	FY 2007
Beginning Inventory	59.5	59.3	59.3
Receipts	130.7	130.6	130.5
Sales	-137.9	-135.6	-135.5
Returns for Credit	5.2	6.0	6.0
Capitalization	0.0	0.0	0.0
Losses	1.8	-1.0	-1.0
Ending Inventory	59.3	59.3	59.3

Cash:

Pricing decisions and workload estimates result in estimates for cash collections, disbursements, and net outlays.

Energy Cash (Dollars in Millions)	FY 2005	FY 2006	FY 2007
Disbursements	\$9,729.4	\$11,464.1	\$11,051.6
Collections	\$8,229.3	\$11,167.6	\$11,075.5
Net Outlays	\$1,500.1	\$296.5	\$-24.0
Appropriations	\$1,123.2	\$2,215.0	\$0.0
Transfers	\$0.0	\$-2,141.3	\$0.0
Adjusted Outlays	\$376.9	\$222.8	\$-24.0

In addition to cash outlays, funding has been received through direct appropriations to offset some of the effects of outlays displayed in the above chart.

PERSONNEL

A full-time equivalent (FTE) reflects one year's worth of effort measured in hours. This is calculated by dividing the total actual hours worked (excluding overtime and holidays) by the available hours to work in that year. The following table reflects the personnel numbers included in this submission.

Defense Energy Support Center's (DESC) civilian end strength and FTEs increase from FY 2005 levels in support of the DESC's expanded world-wide retail mission. The increases include converting one contract to civilians (to reduce costs); enhanced fuel facility sustainment, restoration, and modernization (SRM) support; Defense Logistics Agency transformation; military to civilian conversions; combatant commander-requested liaison officers in theaters of operation; resourcing of DESC's mission as the bulk fuels Executive Agent for the Department; and growth in management and reporting requirements to support the Chief Financial Officer's Act, the Government Results and Performance Act, *et al.*

Personnel	FY 2005	FY 2006	FY 2007
End Strength			
Military	107	107	106
Civilian	807	977	989
Total	914	1084	1095
FTEs			
Military	107	107	106
Civilian	795	937	950
Total	902	1044	1056

CAPITAL BUDGET

(Dollars in Millions)	FY 2005	FY 2006	FY 2007
Equipment (Non-Automated Data Processing)	\$1.7	\$12.5	\$15.1
Equipment (Automated Data Processing)	\$0.0	\$1.5	\$0.0
Software	\$0.0	\$18.4	\$18.1
Minor Construction	\$24.5	\$25.5	\$25.5
Total	\$26.2	\$57.9	\$58.7

The capital budget funds investments that exceed the \$100,000 expense/investment criteria.

The FY 2006 and FY 2007 budget estimates are unchanged from levels approved in the FY 2006 President's Budget.

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management -Energy
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
FY 2005
(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									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)	1,776.1	8,452.6	8,452.6	11,412.3	0.0	122.2	11,535	0.0	11,534.5
TOTAL	1,776.1	8,452.6	8,452.6	11,412.3	0.0	122.2	11,534.5	0.0	11,534.5

Exhibit SM-1 Supply Management Summary

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management -Energy
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
FY 2006
(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									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)	2,028.3	11,335.9	11,335.9	10,389.1	0.0	15.0	10,404	2,376.7	12,780.8
TOTAL	2,028.3	11,335.9	11,335.9	10,389.1	0.0	15.0	10,404.1	2,376.7	12,780.8

Exhibit SM-1 Supply Management Summary

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management -Energy
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
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									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)	1,972.9	11,074.1	11,074.1	10,804.8	0.0	0.0	10,805	1,829.1	12,633.9
TOTAL	1,972.9	11,074.1	11,074.1	10,804.8	0.0	0.0	10,804.8	1,829.1	12,633.9

Exhibit SM-1 Supply Management Summary

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
ENERGY
FEBRUARY 2006
FY 2005 Inventory Status
(\$ in millions)

Defense Energy Support Center	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	4,048.2	1,840.6	2,207.6	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	182.6	(182.6)	0.0
b. Price Change Amount	4.7	236.2	(231.5)	0.0
c. Inventory Reclassified and Repriced	4,053.2	2,259.4	1,793.8	0.0
RECEIPTS AT COST	8,867.8	0.0	8,867.8	0.0
GROSS SALES AT COST	(9,356.8)	0.0	(9,356.8)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations (+)	12.3	0.0	12.3	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 (+)	349.0	0.0	349.0	0.0
c. Returns from Customers without Credit (+)	269.6	0.0	269.6	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 (-)	(328.7)	0.0	(328.7)	0.0
g. Gains (+)/Losses (-)	169.1	0.0	169.1	0.0
h. Total Adjustments	471.3	0.0	471.3	0.0
INVENTORY - End of Period (EOP)	4,035.5	2,259.4	1,776.1	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention SSIR	5,097.0	2,855.5	2,241.5	
b. Contingency Retention	0.0			
c. Potential DoD Utilization	0.0			
INVENTORY ON ORDER EOP	5,013.7		5,013.7	

Exhibit SM-4 Inventory Status

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
ENERGY
FEBRUARY 2006
FY 2006 Inventory Status
(\$ in millions)

Defense Energy Support Center	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	4,035.5	2,259.4	1,776.1	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	0.0	0.0
b. Price Change Amount	572.9	322.5	250.3	0.0
c. Inventory Reclassified and Repriced	4,608.3	2,581.9	2,026.4	0.0
RECEIPTS AT COST	10,127.7		10,127.7	
GROSS SALES AT COST	(10,514.2)		(10,514.2)	
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 (+)	463.8	0.0	463.8	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 (-)	0.0	0.0	0.0	0.0
g. Losses (-)	(75.4)	0.0	(75.4)	0.0
h. Total Adjustments	388.4	0.0	388.4	0.0
INVENTORY - End of Period (EOP)	4,610.2	2,581.9	2,028.3	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention SSIR	5,012.2	2,808.3	2,203.9	
b. Contingency Retention	0.0			
c. Potential DoD Utilization	0.0			
INVENTORY ON ORDER EOP	4,145.7		4,145.7	

Exhibit SM-4 Inventory Status

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Supply Management Activity Group
 ENERGY
 FEBRUARY 2006
 FY 2007 Inventory Status
 (\$ in millions)

Defense Energy Support Center	Total	Peacetime		
		Mobilization	Operating	Other
INVENTORY - Beginning of Period (BOP)	4,610.2	2,581.9	2,028.3	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	0.0	0.0
b. Price Change Amount	(113.5)	(63.9)	(49.6)	0.0
c. Inventory Reclassified and Repriced	4,496.7	2,518.0	1,978.7	0.0
RECEIPTS AT COST	9,866.6		9,866.6	0.0
GROSS SALES AT COST	(10,241.6)		(10,241.6)	0.0
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 (+)	452.3	0.0	452.3	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 (-)	0.0	0.0	0.0	0.0
g. Losses (-)	(83.1)	0.0	(83.1)	0.0
h. Total Adjustments	369.2	0.0	369.2	0.0
INVENTORY - End of Period (EOP)	4,490.9	2,518.0	1,972.9	0.0
INVENTORY EOP - REVALUED				
a. Economic Retention	4,688.7	2,629.2	2,059.4	
b. Contingency Retention	0.0			
c. Potential DoD Utilization	0.0			
INVENTORY ON ORDER EOP	3,881.5		3,881.5	

Exhibit SM-4 Inventory Status

Defense Logistics Agency
Defense-Wide Working Capital Fund
ENERGY
Fiscal Year (FY) 2007 Budget Estimates
War Reserve Material Stockpile
FEBRUARY 2006
FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,840.6	1,840.6	-
2. Price Change Amount	236.2	236.2	
3. Reclassification Change	182.6	182.6	
4. Inventory Repriced	2,259.4	2,259.4	
5. 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	2,259.4	2,259.4	-
WRM STOCKPILE COSTS			
1. Storage	100.1	100.1	-
2. Management	3.5	3.5	-
3. Maintenance/Other	129.7	129.7	-
Total Cost	233.3	233.3	0
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
 ENERGY
 Fiscal Year (FY) 2007 Budget Estimates
 War Reserve Material Stockpile
 FEBRUARY 2006
 FY 2006

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,259.4	2,259.4	-
2. Price Change	322.5	322.5	-
3. Inventory Repriced	2,581.9	2,581.9	-
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	2,581.9	2,581.9	-
WRM STOCKPILE COSTS			
1. Storage	104.2	104.2	-
2. Management	4.0	4.0	-
3. Maintenance/Other	156.0	156.0	-
Total Cost	264.2	264.2	0
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

Exhibit SM-6 War Reserve Material

Defense Logistics Agency
 Defense-Wide Working Capital Fund
 ENERGY
 Fiscal Year (FY) 2007 Budget Estimates
 War Reserve Material Stockpile
 FEBRUARY 2006
 FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,581.9	2,581.9	-
2. Price Change	(63.9)	(63.9)	-
3. Inventory Repriced	2,518.0	2,518.0	-
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	2,518.0	2,518.0	-
WRM STOCKPILE COSTS			
1. Storage	103.7	103.7	-
2. Management	4.2	4.2	-
3. Maintenance/Other	178.5	178.5	-
Total Cost	286.4	286.4	0
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

Exhibit SM-6 War Reserve Material

DEFENSE LOGISTICS AGENCY
ENERGY
Source of New Orders and Revenue
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
a. Orders from DoD Components	\$7,768.2	\$10,640.7	\$10,400.8
Army	944.9	\$1,214.1	\$1,173.2
Navy	2,444.0	\$3,001.6	\$2,931.1
Air Force	4,189.4	\$6,107.1	\$5,985.1
Marine Corps	86.6	\$127.9	\$122.3
Coast Guard (Non-DoD)	84.1	\$160.2	\$162.6
Other	19.2	\$29.8	\$26.5
b. Orders from Other Activity Groups	\$0.0	\$0.0	\$0.0
c. Total DoD	\$7,768.2	\$10,640.7	\$10,400.8
d. Other Orders:	\$736.4	\$1,010.9	\$978.9
Other Federal Agencies	108.0	\$154.5	\$436.4
Non-Federal Agencies	347.6	\$475.9	\$123.2
Foreign Military Sales	280.8	\$380.5	\$419.3
Total New Orders	\$8,504.6	\$11,651.6	\$11,379.8
2. Carry-In Orders	\$0.0	\$0.0	\$0.0
3. Total Gross Orders	\$8,504.6	\$11,651.6	\$11,379.8
4. Funded Carry-Over	\$0.0	\$0.0	\$0.0
5. Total Gross Sales	\$8,504.6	\$11,651.6	\$11,379.8

Exhibit Fund 11 Sources of Revenue

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 PETROLEUM
 Source of New Orders and Revenue
 FEBRUARY 2006
 (Barrels in Millions)

<u>Standard Price</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
	\$61.65	\$89.88 & \$84.00	\$84.00
1. New Orders			
a. Orders from DoD Components	126.0	123.9	123.8
Army	15.3	14.1	14.0
Navy	39.6	34.9	34.9
Air Force	68.0	71.3	71.3
Marine Corps	1.4	1.5	1.5
Coast Guard (Non-DoD)	1.4	1.9	1.9
Other	0.3	0.3	0.3
b. Orders from Other Activity Groups	0.0	0.0	0.0
c. Total DoD	126.0	123.9	123.8
d. Other Orders:	11.9	11.7	11.7
Other Federal Agencies	1.8	5.2	5.2
Non-Federal Agencies	5.6	0.3	1.5
Foreign Military Sales	4.6	6.2	5.0
Total New Orders	137.9	135.6	135.5
2. Carry-In Orders	\$0.0	0.0	0.0
3. Total Gross Orders	137.9	135.6	135.5
4. Funded Carry-Over	0.0	0.0	0.0
5. Total Gross Sales	137.9	135.6	135.5

Exhibit Fund 11 Sources of Revenue

DEFENSE LOGISTICS AGENCY
ENERGY
Source of New Orders and Revenue
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
a. Orders from DoD Components	\$7,698.2	\$10,500.3	\$10,256.9
Army	946.1	1,215.5	1,174.9
Navy	2,445.2	3,002.4	2,932.2
Air Force	4,201.0	6,124.7	6,001.0
Marine Corps	86.6	127.9	122.3
Other	19.4	29.8	26.5
b. Orders from Other Activity Groups	0.0	0.0	0.0
c. Total DoD	7,698.2	10,500.3	10,256.9
d. Other Orders:	838.6	1,209.2	1,180.0
Other Federal Agencies	196.4	326.5	610.0
Non-Federal Agencies	361.5	501.4	150.1
Foreign Military Sales	280.8	381.2	419.9
Total New Orders	8,536.8	11,709.5	11,436.8
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	8,536.8	11,709.5	11,436.8
4. Gross Sales @ Standard	8,536.8	11,709.5	11,436.8
5. Less Credit Returns	327.4	511.8	504.0
6. Plus Other Income/Reimbursable Sales	243.2	138.2	141.3
7. Total Revenue	8,452.6	11,335.9	11,074.2
8. End of Year Work-in-Process	0.0	0.0	0.0
9. FMS, BRAC, Other Federal, and Non-Federal Orders	838.6	1,209.2	1,180.0
Non-Federal Orders			
10. Funded Carry-Over	0.0	0.0	0.0

Exhibit Fund 11 Sources of Revenue

DEFENSE LOGISTICS AGENCY
ENERGY
REVENUE AND EXPENSES
Fiscal Year (FY) 2007 Budget Estimates
(Dollars in Millions)
FEBRUARY 2006

NOR - Fund 14

Revenue:	FY 06	FY 07	FY 08	FY 09	FY10	FY11
Gross Sales @ Standard	11,709.5	11,436.8	10,368.7	10,187.6	10,092.2	10,023.9
Operations	11,678.8	11,403.3	10,331.5	10,150.0	10,061.3	9,998.9
Capital Surcharge	19.4	20.3	20.9	20.0	12.2	3.9
Depreciation	11.3	13.2	16.3	17.6	18.7	21.1
Other Income / Reimbursables	138.2	141.3	143.9	147.1	149.5	152.3
Refunds/Discounts (-)	(511.8)	(504.0)	(491.4)	(486.4)	(483.8)	(481.3)
Total Income	11,335.9	11,074.2	10,021.2	9,848.3	9,758.0	9,694.9
Adjusted Income	0.0	0.0	0.0	0.0	0.0	0.0
Total Income (allocated)	11,335.9	11,074.2	10,021.2	9,848.3	9,758.0	9,694.9
Expenses						
Cost of Materiel Sold from Inventory	10,050.4	9,791.2	9,110.8	8,862.5	8,661.9	8,658.8
Salaries and Wages:	0.0	0.0	0.0	0.0	0.0	0.0
Military Personnel Costs	9.1	8.7	12.5	13.5	13.5	13.5
Civilian Personnel Compensation	85.6	85.6	89.6	92.2	94.1	98.3
Travel & Transportation of Personnel	8.8	8.9	9.1	9.1	9.0	9.0
Materials & Supplies (For internal use)	5.2	7.9	5.4	5.4	5.5	5.6
Equipment	3.7	3.9	3.9	3.9	4.0	4.1
Other Purchases from Revolving Funds	13.8	14.3	14.7	14.9	15.2	15.4
Transportation of Things	360.3	348.7	355.3	362.3	370.1	377.0
Depreciation - Capital	11.3	13.2	16.3	17.6	18.7	21.1
Printing and Reproduction	0.7	0.7	0.7	0.7	0.7	0.8
Advisory and Assistance Services	0.0	0.0	0.0	0.0	0.0	0.0
Rent, Communication, and Utility	1.7	1.7	1.7	1.7	1.8	1.8
Other Purchased Services	786.7	847.6	730.9	742.3	741.6	747.3
Total Expenses (System)	11,337.3	11,132.5	10,351.0	10,126.2	9,936.3	9,952.6
Allocated Expenses	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenses (Allocated)	11,337.3	11,132.5	10,351.0	10,126.2	9,936.3	9,952.6
Expense Check	0.0	0.0	0.0	0.0	0.0	0.0
Operating Results	(1.3)	(58.3)	(329.8)	(277.9)	(178.3)	(257.7)
Less Capital Surcharge	(19.4)	(20.3)	(20.9)	(20.0)	(12.2)	(3.9)
Plus Passthroughs or Other	73.7	0.0	0.0	0.0	0.0	0.0
Other Changes Affecting NOR	0.0	0.0	0.0	0.0	0.0	0.0
Cash Surcharge	0.0	0.0	0.0	0.0	0.0	0.0
Transfer of AOR	0.0	0.0	0.0	0.0	0.0	0.0
HQ Financing	0.0	0.0	0.0	0.0	0.0	0.0
Inventory Augmentation/Obs Rec/Other Changes	0.0	0.0	0.0	0.0	0.0	0.0
Net Operating Results	53.0	(78.7)	(350.7)	(297.9)	(190.5)	(261.6)
Prior Year AOR	(389.5)	(336.6)	(415.3)	(766.0)	(1,063.9)	(1,254.4)
Other Changes Affecting AOR	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Operating Results (AOR)	(336.6)	(415.3)	(766.0)	(1,063.9)	(1,254.4)	(1,516.0)

Exhibit Fund-14 Revenue and Expenses

DEFENSE LOGISTICS AGENCY
ENERGY
REVENUE AND EXPENSES
Fiscal Year (FY) 2007 Budget Estimates
(Dollars in Millions)
FEBRUARY 2006

NOR - Fund 14			
Revenue:	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
Gross Sales @ Standard	8,536.8	11,709.5	11,436.8
Operations	8,479.7	11,678.8	11,403.3
Capital Surcharge	46.7	19.4	20.3
Depreciation	10.4	11.3	13.2
Other Income / Reimbursables	243.2	138.2	141.3
Refunds/Discounts (-)	(327.4)	(511.8)	(504.0)
Total Income	8,452.6	11,335.9	11,074.2
Adjusted Income	0.0	0.0	0.0
Total Income (allocated)	8,452.6	11,335.9	11,074.2
Expenses			
Cost of Materiel Sold from Inventory	9,083.8	10,050.4	9,791.2
Salaries and Wages:		0.0	0.0
Military Personnel Costs	9.7	9.1	8.7
Civilian Personnel Compensation	72.9	85.6	85.6
Travel & Transportation of Personnel	7.5	8.8	8.9
Materials & Supplies (For internal use)	1.4	5.2	7.9
Equipment	3.1	3.7	3.9
Other Purchases from Revolving Funds	11.0	13.8	14.3
Transportation of Things	377.3	360.3	348.7
Depreciation - Capital	10.4	11.3	13.2
Printing and Reproduction	0.3	0.7	0.7
Advisory and Assistance Services	9.7	0.0	0.0
Rent, Communication, and Utility	2.7	1.7	1.7
Other Purchased Services	514.3	786.7	847.6
Total Expenses (System)	10,104.1	11,337.3	11,132.5
Allocated Expenses	0.0	0.0	0.0
Total Expenses (Allocated)	10,104.1	11,337.3	11,132.5
Expense Check	0.0	0.0	0.0
Operating Results	(1,651.5)	(1.3)	(58.3)
Less Capital Surcharge	(46.7)	(19.4)	(20.3)
Plus Passthroughs or Other	1,123.2	73.7	0.0
Other Changes Affecting NOR	0.0	0.0	0.0
Cash Surcharge	0.0	0.0	0.0
Transfer of AOR	0.0	0.0	0.0
Inventory Augmentation/Obs Rec/Other Changes	0.0	0.0	0.0
Net Operating Results	(575.0)	53.0	(78.7)
Prior Year AOR	185.5	(389.5)	(336.6)
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Results (AOR)	(389.53)	(336.57)	(415.31)

Exhibit Fund-14 Revenue and Expense:

Defense Logistics Agency Defense-Wide Working Capital Fund ENERGY Fiscal Year (FY) 2007 President's Budget FEBRUARY 2006				
Act FY 05 Budget Fuel Data		PROCURED FROM DESC		
Aerospace Missile Fuels		Qty	Price Per	Extended
	PC	(Thousands)	Qty (\$)	Price (\$000)
Nitric Acid	16	13.125	\$26.25	\$344.531
Priming Fluid ALCM (PF-1)	23	1.589	\$16.00	\$25.424
JP-10	28	91.308	\$15.50	\$1,394.712
Isopropyl Alcohol	31	145.000	\$0.54	\$55.396
Deuterium, Gaseous	33	1,265.339	\$0.42	\$173.042
Liquid Air	39	71.700	\$1.30	\$93.210
Liquid Carbon Dioxide	86	<u>7.000</u>	<u>\$0.10</u>	<u>\$0.700</u>
TOTAL MISCELLANEOUS		1,595.061	\$1.31	\$2,087.015
Argon, Gaseous-Conus	21	0.683	\$125.00	\$85.369
Argon, Liquid	32	1,137.044	\$0.33	\$370.093
Argon, Gaseous-OConus	61	0.204	\$179.00	\$36.492
Argon, Gaseous Bulk	80	25.694	\$13.13	\$337.362
Arogon Gas	81	0.830	\$0.22	\$0.183
TOTAL ARGON		1,164.455	\$0.71	\$829.499
Dinitrogen Tetroxide	9	141.607	\$14.29	\$2,036.074
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.000	\$206.00	\$0.000
Dinitrogen Tetroxide MON-15	82	<u>0.110</u>	<u>\$82.83</u>	<u>\$9.111</u>
TOTAL DINITROGEN TETROXIDE		141.717	\$14.43	\$2,045.185
Helium, Cylinder	1	358.053	\$0.35	\$125.329
Helium, Bulk	2	20.221	\$132.00	\$2,690.520
Helium, Liquid-Dewars	24	63.481	\$4.60	\$290.271
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	25.986	<u>\$0.75</u>	<u>\$19.490</u>
TOTAL HELIUM		467.741	\$6.68	\$3,125.610
Hydrazine, UDMH	7	0.320	\$4.00	\$1.280
Hydrazine	8	26.729	\$4.00	\$106.916
Hydrazine, MMH	15	85.551	\$4.00	\$423.942
Hydrazine, MPH	34	19.703	\$4.00	\$150.632
Hydrazine, Hi-Purity	35	32.959	\$75.00	\$2,471.925
Hydrazine, Water	37	11.180	<u>\$4.00</u>	<u>\$49.450</u>
TOTAL HYDRAZINE		176.442	\$18.16	\$3,204.145
Hydrogen, Liquid	12	724.646	\$3.10	\$2,215.486
Hydrogen Peroxide	17	85.675	\$0.65	\$73.843
Hydrogen, Gaseous	27	<u>0.203</u>	<u>\$30.00</u>	<u>\$6.100</u>
TOTAL HYDROGEN		810.524	\$2.83	\$2,295.429
Kerosene, RP-1, Bulk	10	274.726	\$2.42	\$672.195
Kerosene, RP-1, Drum	65	0.477	\$3.25	\$2.027
Kerosene, RP-1, TS5	75	0.000	\$14.80	\$0.000
Kerosene, RP-1, Ultra Low Grade	76	0.000	\$14.80	\$0.000
Kerosene, RP-1, TS30 Drum	77	0.000	<u>\$14.80</u>	<u>\$0.000</u>
TOTAL KEROSENE		275.203	\$2.45	\$674.222
Nitrogen, Liquid	4	112.631	\$92.00	\$10,366.177
Nitrogen, Gaseous	5	217.074	\$3.50	\$754.100
Nitrogen Trifluoride	11	2.150	\$85.00	\$182.750
Nitrogen, Liquid (Pipeline)	46	0.000	\$0.00	\$0.000
Nitrogen, Gaseous (Vandenberg AFB Only)	50	437.351	\$5.30	\$2,304.423
Nitrogen, Liquid (Alaska/Hawaii)	54	0.344	\$639.00	\$219.518
Nitrogen, Gaseous (KSC Only)	55	615.600	\$4.65	\$2,862.542
Nitrogen, Liquid (NASA AMES)	64	0.000	\$0.00	\$0.000
ABO	83	205.585	\$0.91	\$182.585
LN2	84	19.803	<u>\$0.76</u>	<u>\$14.556</u>
TOTAL NITROGEN		1,610.538	\$10.49	\$16,886.651
Oxygen, Liquid	3	5.521	\$77.00	\$426.815
Oxygen, Liquid (KSC Only)	63	4.416	\$99.00	\$437.601
Oxygen, Liquid (Vandenberg AFB Only)	53	1.953	<u>\$125.00</u>	<u>\$244.207</u>
TOTAL LIQUID OXYGEN		11.890	\$93.24	\$1,108.623
Xenon, Gaseous	19	0.000	\$0.00	\$0.000
Xenon, Extra High-Purity	66	0.000	<u>\$3.00</u>	<u>\$0.000</u>
TOTAL LIQUID XENON		0.000	\$0.00	\$0.000
Rounding factor				(\$0.001)
TOTAL		6,253.571	\$5.16	32,256.378

Exhibit Fund-15 Fuel Data

Defense Logistics Agency
 Defense-Wide Working Capital Fund
 Supply Activity Group -Energy
 Fiscal Year (FY) 2007 President's Budget

FY 06 Budget Fuel Data		PROCURED FROM DESC		
Aerospace Missile Fuels		Qty	Price Per	Extended
PC	(Thousands)	Qty (\$)	Price (\$000)	
Nitric Acid	16	0.000	<u>8.94</u>	<u>\$0.000</u>
Priming Fluid ALCM (PF-1)	23	1.500	\$13.84	\$20.760
JP-10	28	98.593	\$13.09	\$1,290.582
Isopropyl Alcohol	31	320.000	\$0.45	\$144.000
Deuterium, Gaseous	33	1,225.500	\$0.33	\$404.415
Liquid Air	39	5.500	\$1.29	\$7.095
TOTAL MISCELLANEOUS		1,651.093	\$1.13	\$1,866.852
Argon, Gaseous-Conus	21	0.921	\$125.00	\$115.125
Argon, Liquid	32	1,255.000	<u>\$0.20</u>	<u>\$251.000</u>
Argon, Gaseous-OConus	61	0.297	\$180.00	\$53.460
Argon, Gaseous Bulk	80	7.680	\$14.55	\$111.744
TOTAL ARGON		1,263.898	\$0.42	\$531.329
Dinitrogen Tetroxide	9	286.888	\$8.95	\$2,567.648
Dinitrogen Tetroxide, MON-25 Low Iron	79	1.898	<u>\$125.00</u>	<u>\$237.250</u>
TOTAL DINITROGEN TETROXIDE		288.786	\$9.71	\$2,804.898
Helium, Cylinder	1	600.404	\$0.45	\$270.182
Helium, Bulk	2	22.205	\$134.96	\$2,996.787
Helium, Liquid-Dewars	24	85.420	\$4.60	\$392.932
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	18.343	<u>\$0.45</u>	<u>\$8.254</u>
TOTAL HELIUM		726.372	\$5.05	\$3,668.155
Hydrazine, UDMH	7	0.000	\$78.01	\$0.000
Hydrazine	8	69.600	\$78.01	\$5,429.496
Hydrazine, MMH	15	139.004	\$78.01	\$10,843.702
Hydrazine, MPH	34	33.635	\$78.01	\$2,623.866
Hydrazine, Hi-Purity	35	24.858	\$189.00	\$4,698.162
Hydrazine, Water	37	12.040	<u>\$78.01</u>	<u>\$939.240</u>
TOTAL HYDRAZINE		279.137	\$87.89	\$24,534.467
Hydrogen, Liquid	12	554.671	<u>\$3.15</u>	<u>\$1,747.214</u>
Hydrogen Peroxide	17	188.640	\$0.50	\$94.320
Hydrogen, Gaseous	27	0.110	\$30.00	\$3.300
TOTAL HYDROGEN		743.421	\$2.48	\$1,844.834
Kerosene, RP-1, Bulk	10	239.404	\$1.90	\$454.868
Kerosene, RP-1, Drum	65	0.053	\$4.80	\$0.254
Kerosene, RP-1, TS5	75	0.000	\$20.15	\$0.000
Kerosene, RP-1, Ultra Low Grade	76	0.053	\$23.00	\$1.219
Kerosene, RP-1, TS30 Drum	77	0.053	<u>\$8.00</u>	<u>\$0.424</u>
TOTAL KEROSENE		239.563	\$1.91	\$456.765
Nitrogen, Liquid	4	109.845	\$94.75	\$10,407.817
Nitrogen, Gaseous	5	155.770	\$4.00	\$623.080
Nitrogen Trifluoride	11	5.325	\$63.81	\$339.788
Nitrogen, Liquid (Pipeline)	46	0.000	\$0.00	\$0.000
Nitrogen, Gaseous (Vandenberg AFB Only)	50	251.000	\$4.10	\$1,029.100
Nitrogen, Liquid (Alaska/Hawaii)	54	0.400	\$375.08	\$150.032
Nitrogen, Gaseous (KSC Only)	55	411.872	\$5.11	\$2,104.666
Nitrogen, Liquid (NASA AMES)	64	0.000	\$0.00	\$0.000
ABO	83	3,167.073	\$0.95	\$3,008.719
LN2	84	4,389.486	<u>\$0.80</u>	<u>\$3,511.589</u>
TOTAL NITROGEN		8,490.771	\$2.49	\$21,174.791
Oxygen, Liquid	3	4.141	\$79.00	\$327.139
Oxygen, Liquid (KSC Only)	63	4.200	\$66.00	\$277.200
Oxygen, Liquid (Vandenberg AFB Only)	53	2.487	<u>\$125.00</u>	<u>\$310.875</u>
TOTAL LIQUID OXYGEN		10.828	\$84.52	\$915.214
Xenon, Gaseous	19	0.000	\$0.00	\$0.000
Xenon, Extra High-Purity	66	62.400	<u>\$1.10</u>	<u>\$68.640</u>
TOTAL LIQUID XENON		62.400	\$0.00	\$68.640
Rounding factor				\$0.000
TOTAL		13,756.269	\$4.21	57,865.945

Defense Logistics Agency
 Defense-Wide Working Capital Fund
 Supply Activity Group -Energy
 Fiscal Year (FY) 2007 President's Budget

FY 07 Budget Fuel Data		PROCURED FROM DESC		
Aerospace Missile Fuels		Qty	Price Per	Extended
PC	(Thousands)	Qty (\$)	Price (\$000)	
Nitric Acid	16	7.025	<u>\$26.25</u>	<u>\$184.406</u>
Priming Fluid ALCM (PF-1)	23	1.500	\$17.82	\$26.730
JP-10	28	98.593	\$14.70	\$1,449.317
Isopropyl Alcohol	31	320.000	\$0.47	\$150.400
Deuterium, Gaseous	33	2,345.500	\$0.30	\$703.650
Liquid Air	39	5.500	\$1.35	\$7.425
TOTAL MISCELLANEOUS		2,778.1	\$0.91	\$2,521.928
Argon, Gaseous-Conus	21	0.921	\$130.00	\$119.730
Argon, Liquid	32	1,255.000	<u>\$0.23</u>	<u>\$288.650</u>
Argon, Gaseous-OConus	61	0.297	\$180.00	\$53.460
Argon, Gaseous Bulk	80	1.920	\$13.95	\$26.784
TOTAL ARGON		1,258.138	\$0.39	\$488.624
Dinitrogen Tetroxide	9	331.294	\$10.00	\$3,312.940
Dinitrogen Tetroxide, MON-25 Low Iron	79	1.898	<u>\$110.00</u>	<u>\$208.780</u>
TOTAL DINITROGEN TETROXIDE		333.192	\$10.57	\$3,521.720
Helium, Cylinder	1	684.079	\$0.45	\$307.836
Helium, Bulk	2	24.130	\$135.00	\$3,257.550
Helium, Liquid-Dewars	24	86.520	\$5.20	\$449.904
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	19.343	<u>\$0.73</u>	<u>\$14.120</u>
TOTAL HELIUM		814.072	\$4.95	\$4,029.410
Hydrazine, UDMH	7	0.000	\$65.00	\$0.000
Hydrazine	8	73.668	\$65.00	\$4,788.420
Hydrazine, MMH	15	124.229	\$65.00	\$8,074.885
Hydrazine, MPH	34	36.422	\$65.00	\$2,367.430
Hydrazine, Hi-Purity	35	34.228	\$78.00	\$2,669.784
Hydrazine, Water	37	11.610	<u>\$65.00</u>	<u>\$754.650</u>
TOTAL HYDRAZINE		280.157	\$66.59	\$18,655.169
Hydrogen, Liquid	12	518.372	<u>\$3.15</u>	<u>\$1,632.872</u>
Hydrogen Peroxide	17	188.640	\$0.65	\$122.616
Hydrogen, Gaseous	27	0.088	\$100.00	\$8.800
TOTAL HYDROGEN		707.100	\$2.50	\$1,764.288
Kerosene, RP-1, Bulk	10	265.738	\$2.50	\$664.345
Kerosene, RP-1, Drum	65	0.053	\$4.50	\$0.239
Kerosene, RP-1, TS5	75	0.000	\$30.00	\$0.000
Kerosene, RP-1, Ultra Low Grade	76	0.000	\$0.00	\$0.000
Kerosene, RP-1, TS30 Drum	77	0.000	<u>\$0.00</u>	<u>\$0.000</u>
TOTAL KEROSENE		265.791	\$2.50	\$664.584
Nitrogen, Liquid	4	113.520	\$85.00	\$9,649.204
Nitrogen, Gaseous	5	148.134	\$4.25	\$629.570
Nitrogen Trifluoride	11	5.325	\$64.00	\$340.800
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	\$460.00	\$184.000
Nitrogen, Gaseous (KSC Only)	55	410.127	\$6.08	\$2,493.572
Nitrogen, Liquid (NASA AMES)	64	0.000	\$0.00	\$0.000
ABO	83	3,167.073	\$0.92	\$2,913.707
LN2	84	4,389.486	<u>\$0.80</u>	<u>\$3,511.589</u>
TOTAL NITROGEN		8,485.065	\$2.80	\$23,738.442
Oxygen, Liquid	3	3.501	\$85.15	\$298.110
Oxygen, Liquid (KSC Only)	63	4.200	\$66.00	\$277.200
Oxygen, Liquid (Vandenberg AFB Only)	53	2.487	<u>\$125.00</u>	<u>\$310.875</u>
TOTAL LIQUID OXYGEN		10.188	\$86.98	\$886.185
Xenon, Gaseous	19	0.000	\$0.00	\$0.000
Xenon, Extra High-Purity	66	145.280	<u>\$1.53</u>	<u>\$222.278</u>
TOTAL LIQUID XENON		145.280	\$0.00	\$222.278
Rounding factor				(\$0.002)
TOTAL		15,077.101	\$3.75	56,492.626

DEFENSE LOGISTICS AGENCY
ENERGY
Fiscal Year (FY) 2007 Budget Estimates
FUEL DATA
FEBRUARY 2006
FY 2005 ACTUALS (1 OCT- 31 MAY)

FY 05 Budget Petroleum Data	PROCURED FROM DESC		
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)
<u>BULK and PC&S:</u>			
JP4, JAB	0.0	\$57.96	\$0.3
JTS	0.1	\$163.80	\$16.1
JP50, JA1, and JAA	1.4	\$56.28	\$76.7
DISTILLATES (F76, DFW)	10.0	\$55.86	\$560.2
DIESEL	4.6	\$55.02	\$253.4
JP5	8.4	\$57.12	\$478.0
JP8 *	49.6	\$56.28	\$2,789.7
MOGAS (Leaded)	0.5	\$67.62	\$31.8
MOGAS (Unleaded)	0.9	\$57.54	\$51.7
RESIDUALS	<u>0.9</u>	<u>\$42.42</u>	<u>\$39.7</u>
TOTAL BULK and PC&S	76.3	\$56.29	\$4,297.6
<u>INTOPLANE:</u>			
Jet Fuel Commercial Grade	2.8	\$63.84	\$178.1
<u>BUNKERS:</u>			
DISTILLATES (F76, DFW)	0.3	\$55.86	\$18.2
DIESEL (Marine)	2.8	\$42.84	\$121.3
RESIDUALS (Intermediate)	<u>1.7</u>	<u>\$35.70</u>	<u>\$61.7</u>
TOTAL BUNKERS	4.9	\$41.12	\$201.2
<u>LOCAL PURCHASE and CASH</u>			
TSUNAMI	0.0	\$104.16	\$0.8
AVCARD	0.2	\$104.16	\$24.6
MSC	0.2	\$104.16	\$22.3
VOYAGER	0.3	\$88.62	\$22.9
CASH	0.1	\$96.39	\$8.1
FOREIGN GOVERNMENT	<u>0.5</u>	<u>96.4</u>	<u>\$44.53</u>
	1.3	97.48	\$122.4
Rounding			\$0.0
TOTAL	85.3	\$56.28	4,799.3

DEFENSE LOGISTICS AGENCY
ENERGY
Fiscal Year (FY) 2007 Budget Estimates
FUEL DATA
FEBRUARY 2006
FY 2005 ACTUALS (1 JUNE - 30 SEP)

FY 05 Budget Petroleum Data	PROCURED FROM DESC		
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)
<u>BULK and PC&S:</u>			
JP4, JAB	0.0	\$72.59	\$0.3
JTS	0.0	\$159.23	\$4.9
JP50, JA1, and JAA	0.8	\$70.77	\$58.5
DISTILLATES (F76, DFW)	5.9	\$70.32	\$414.0
DIESEL	2.0	\$69.09	\$141.5
JP5	4.9	\$71.55	\$349.0
JP8 *	28.6	\$70.73	\$2,023.3
MOGAS (Leaded)	0.3	\$84.83	\$28.8
MOGAS (Unleaded)	0.5	\$72.37	\$39.3
RESIDUALS	<u>0.2</u>	<u>\$53.12</u>	<u>\$11.4</u>
TOTAL BULK and PC&S	43.4	\$70.80	\$3,071.0
<u>INTOPLANE:</u>			
Jet Fuel Commercial Grade	1.5	\$80.06	\$122.7
<u>BUNKERS:</u>			
DISTILLATES (F76, DFW)	0.0	\$71.44	\$3.0
DIESEL (Marine)	1.1	\$53.67	\$59.5
RESIDUALS (Intermediate)	<u>0.6</u>	<u>\$44.73</u>	<u>\$28.9</u>
TOTAL BUNKERS	1.8	\$50.87	\$91.5
<u>LOCAL PURCHASE and CASH</u>			
TSUNAMI	0.0	\$130.89	\$0.5
AVCARD	0.0	\$130.89	\$0.1
MSC	0.3	\$130.89	\$39.1
VOYAGER	0.1	\$111.38	\$16.0
CASH	0.0	\$121.14	\$1.8
FOREIGN GOVERNMENT	<u>0.3</u>	<u>\$121.14</u>	<u>\$35.0</u>
	0.8	\$123.21	\$92.7
Rounding			\$0.0
TOTAL	47.5	\$73.08	3,377.9

Exhibit Fund-15 Fuel Data

DEFENSE LOGISTICS AGENCY
ENERGY
Fiscal Year (FY) 2007 Budget Estimates
FUEL DATA
FEBRUARY 2006
FY 2006 Estimates (1 OCT - 31 JAN)

FY 06 Budget Petroleum Data	PROCURED FROM DESC		
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)
<u>BULK and PC&S:</u>			
JP4, JAB	0.0	\$92.40	\$4.0
JTS	0.0	\$163.80	\$5.4
JP50, JA1, and JAA	3.7	\$89.88	\$328.2
DISTILLATES (F76, DFW)	4.9	\$89.46	\$442.5
DIESEL	1.7	\$87.78	\$145.7
JP5	4.2	\$90.72	\$376.5
JP8 *	23.2	\$89.88	\$2,082.8
MOGAS (Leaded)	0.1	\$107.94	\$7.2
MOGAS (Unleaded)	0.3	\$91.98	\$28.2
RESIDUALS	<u>0.5</u>	<u>\$67.62</u>	<u>\$32.6</u>
TOTAL BULK and PC&S	38.5	\$89.67	\$3,453.3
<u>INTOPLANE:</u>			
Jet Fuel Commercial Grade	1.4	\$102.06	\$142.9
<u>BUNKERS:</u>			
DISTILLATES (F76, DFW)	0.2	\$89.46	\$17.9
DIESEL (Marine)	1.6	\$68.46	\$106.1
RESIDUALS (Intermediate)	<u>1.0</u>	<u>\$57.12</u>	<u>\$54.3</u>
TOTAL BUNKERS	2.7	\$66.03	\$178.3
<u>LOCAL PURCHASE and CASH</u>			
AVCARD	0.2	\$166.32	\$33.3
VOYAGER	0.1	\$141.54	\$17.7
CASH	0.0	\$153.93	\$0.0
FOREIGN GOVERNMENT	<u>0.2</u>	<u>\$153.93</u>	<u>\$30.8</u>
	0.5	\$155.70	\$81.7
Rounding factor			\$20.6
TOTAL	43.1	\$89.88	3,876.8

Exhibit Fund-15 Fuel Data

DEFENSE LOGISTICS AGENCY
ENERGY
Fiscal Year (FY) 2007 Budget Estimates
FUEL DATA
FEBRUARY 2006
FY 2006 Estimates (1 FEB- 30 SEP)

FY 06 Budget Petroleum Data	PROCURED FROM DESC		
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)
<u>BULK and PC&S:</u>			
JP4, JAB	0.1	\$86.52	\$4.9
JTS	0.1	\$163.80	\$10.9
JP50, JA1, and JAA	7.3	\$84.00	\$617.2
DISTILLATES (F76, DFW)	10.0	\$83.58	\$831.9
DIESEL	3.3	\$82.32	\$274.9
JP5	8.4	\$84.84	\$708.4
JP8 *	46.6	\$84.00	\$3,916.6
MOGAS (Leaded)	0.1	\$100.80	\$13.5
MOGAS (Unleaded)	0.4	\$85.68	\$33.7
RESIDUALS	<u>0.6</u>	<u>\$63.42</u>	\$39.2
TOTAL BULK and PC&S	76.885	\$83.91	\$6,451.3
<u>INTOPLANE:</u>			
Jet Fuel Commercial Grade	3.2	\$95.34	\$305.1
<u>BUNKERS:</u>			
DISTILLATES (F76, DFW)	0.2	\$83.58	\$16.7
DIESEL (Marine)	3.1	\$63.84	\$194.7
RESIDUALS (Intermediate)	<u>1.6</u>	<u>\$53.34</u>	\$82.7
TOTAL BUNKERS	4.8	\$61.27	\$294.1
<u>LOCAL PURCHASE and CASH</u>			
AVCARD	0.6	\$155.40	\$93.2
VOYAGER	0.4	\$132.30	\$49.6
CASH	0.0	\$143.85	\$0.0
FOREIGN GOVERNMENT	<u>0.6</u>	<u>\$143.85</u>	\$86.3
	1.6	\$145.46	\$229.1
Rounding factor			(\$16.6)
TOTAL	86.5	\$84.00	7,263.0

Exhibit Fund-15 Fuel Data

DEFENSE LOGISTICS AGENCY
ENERGY
Fiscal Year (FY) 2007 Budget Estimates
FUEL DATA
FEBRUARY 2006
FY 2007

FY 07 Budget Petroleum Data	PROCURED FROM DESC		
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)
<u>BULK and PC&S:</u>			
JP4, JAB	0.1	\$86.52	\$8.7
JTS	0.1	\$152.88	\$15.3
JP50, JA1, and JAA	11.0	\$84.00	\$924.0
DISTILLATES (F76, DFW)	14.9	\$83.58	\$1,245.3
DIESEL	5.0	\$81.90	\$409.5
JP5	12.5	\$84.84	\$1,060.5
JP8 *	69.7	\$84.00	\$5,854.8
MOGAS (Leaded)	0.2	\$100.80	\$20.2
MOGAS (Unleaded)	0.7	\$86.10	\$60.3
RESIDUALS	1.1	<u>\$63.00</u>	<u>\$69.3</u>
TOTAL BULK and PC&S	115.30	\$83.85	\$9,667.9
<u>INTOPLANE:</u>			
Jet Fuel Commercial Grade	4.6	\$95.34	\$438.6
<u>BUNKERS:</u>			
DISTILLATES (F76, DFW)	0.4	\$83.58	\$33.4
DIESEL (Marine)	4.6	\$63.84	\$293.7
RESIDUALS (Intermediate)	<u>2.5</u>	<u>\$53.34</u>	<u>\$133.4</u>
TOTAL BUNKERS	7.5	\$61.40	\$460.5
<u>LOCAL PURCHASE and CASH</u>			
AVCARD	0.8	\$155.40	\$124.3
VOYAGER	0.5	\$132.30	\$66.2
CASH	0.0	\$143.85	\$0.0
FOREIGN GOVERNMENT	<u>0.8</u>	<u>\$143.85</u>	<u>\$115.1</u>
	2.1	\$145.52	\$305.6
Rounding factor			\$5.4
TOTAL	129.5	\$84.00	10,878.0

Exhibit Fund-15 Fuel Data

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Distribution Depots
Fiscal Year (FY) 2007 Budget Estimates
February 2006

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA 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 2005, 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 24.4 million secondary lines and warehoused and maintained over 125.8 million cubic feet of material. The Defense Distribution Depot network ensures that America's war fighters receive the best value distribution services.

CHANGES IN OPERATIONS

DLA's challenge is to transform to meet the expectations and needs of our customer, the warfighter, while continually reducing cost, improving customer wait time, increasing consistency, and increasing product and service quality. These

responsibilities, coupled with decreasing resources, will require increased innovation and technology.

In FY 2005, the Distribution Depot Activity Group has seen unprogrammed transportation fuel-related cost increases and a decrease in workload from FY 2004. In addition, Operation Iraqi Freedom continues to present other challenges including setting up a new strategic location for operations in support of United States Central Command (CENTCOM); incurring higher transportation costs due to the destination, volume, weight and priority of items being sent; increases in supplies (nets, pallets, and radio frequency (RF) tags); and an increase in leased containers.

The continuing challenge is to identify the most cost-effective way of getting the right product to the right place at the right time while facing downsizing, an aging workforce, and A-76 competitions and resulting transitions. War-fighters are requiring DLA to change business practices to reduce customer wait time, meet time-definite delivery standards, and reduce costs. Understanding both tactical and strategic supply chain management and DLA's role in creating the DoD distribution system for the 21st century is critical. Some of the cost increases DLA experienced during FY 2005 and those projected over the budget period include:

- Transportation - Distribution continued to experience increased transportation costs during FY 2005 due to the increased cost of fuel. The FY 2006 through FY 2007 over-ocean transportation estimates continue to exceed \$1 billion for the continued support of theater operations, as well as continued high fuel costs and freight surcharges.
- Stock Positioning - To get materiel to the customer more efficiently, DLA is increasing the number of stocked items located at Defense Depot Susquehanna and Defense Depot San Joaquin. The new stock positioning policy will utilize DLA's Enterprise Resource Planning System.
- Overseas Distribution Centers - To further support the warfighter in theater, the budget includes the costs associated with four recently established overseas depots. This initiative will reduce customers wait time while maximizing the cost benefits of less expensive surface transportation.
 - o Sigonella, Italy Depot (DDSI) - DLA began physical distribution operations in Sigonella, Italy during April FY 2004, to support the customers of the Mediterranean Fleet.

- o Guam Marianas Depot (DDGM) - DLA commenced operations at the Defense Distribution Depot Guam Marianas in October 2004 as a contract operation in support of the Pacific Fleet.
- o Camp Carroll, Korea Depot (DDDK) and Camp Arifjan, Kuwait (DDKS) - These two sites have been selected to support customers in the theaters where the distribution centers will have the greatest impact and support to the warfighter. DDKS is a contract operation that commenced operations in August 2004. DDDK commenced organic operations in January 2005.
- Reimbursable (Kitting) Support - DLA customers continue to demand tailored service. This includes the assembly of components and assemblies into sets, outfits, and kits for use by tactical and maintenance activities that increase the effectiveness and efficiency of logistics operations.
- Radio Frequency Identification (RFID) - The RFID program consists of 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. Distribution Active RFID costs for FY 2006-2007 are estimated at \$22.8 million. Passive RFID costs are estimated to be \$31.4 million. Passive tag implementation began in January 2005 at Defense Distribution Depot Susquehanna, PA (DDSP) and Defense Distribution Depot San Joaquin, CA (DDJC). We expect full implementation at all depots by FY 2007.

(\$M)	FY 05 Actual	FY 06 Projected	FY 07 Projected
Active Tags	\$13.0	\$13.0	\$9.8
Operating	\$13.0	\$13.0	\$9.8
Capital	-	-	-
Passive Tags	\$2.3	\$20.9	\$10.5
Operating	\$0.1	\$6.4	\$4.5
Capital	\$2.2	\$14.5	\$6.0
Total	\$15.3	\$33.9	\$20.3

- DLA Enterprise Transformation - The Department directed the DoD Agencies to develop specific transformation plans that result in more efficient and effective ways of conducting operations. In the DLA Enterprise Transformation effort, DLA vertically integrated its Information Operations, Financial

Operations, and Support Services functions throughout DLA. The effort began in FY 2003, when an official list of functions inherent to each of the three areas was established, and each field activity was tasked to complete a manpower and cost baseline, based on those functions. These baselines supported the development of the Enterprise Transformation effort, which was initiated in FY 2005. One hundred thirty-three (133) FTEs were transformed to the DDC roles that were previously costed to DLA headquarters. This aligned the costs to the primary business area.

Initiatives for savings included in this submission aim at reducing infrastructure, eliminating duplicate functions, and streamlining business processes. Initiatives include:

- Strategic Distribution Enhancements -
 - Increase dedicated truck routes allowing for shipments to be consolidated and directed from premium/unscheduled modes of transportation to existing scheduled/dedicated truck routes at a significant cost reduction.
 - Divert shipments to new scheduled service. Shipping to customers via scheduled/dedicated truck provides time-definite delivery at the lowest cost. Adding additional stop-offs to existing routes allows small customers to receive scheduled/dedicated truck support at a marginal additional cost.
- Inventory "SWARM" - The "SWARM" initiative was developed to correct storage deficiencies that contributed to erroneous record balances. These records would sometimes indicate materiel was not on hand at the depot, when in fact it was simply in an incorrect location on the depot. This led to erroneous materiel denials. The "SWARM" initiative dedicates additional resources to reconciliation of record balances with on-hand inventory and a training program for depot personnel to insure a thorough understanding of proper storage procedures. Through this program, DLA plans to meet a more aggressive inventory accuracy performance goal by FY 2007.
- A-76 competitions - As of September 2005, DLA had completed twelve of twenty A-76 studies. The twelve completed studies resulted in six in-house wins and six contractor wins. Tobyhanna, Pennsylvania; Puget Sound, Washington; and Corpus Christi, Texas have completed the transition phase. Tobyhanna converted to Most Efficient Organization (MEO) effective February, 2005 and Puget Sound converted to MEO

effective December, 2004. Corpus Christi converted to MEO effective June, 2005.

The table below details the twelve completed studies and eight planned or in progress A-76 studies. [FTE-Full Time Equivalent]

<u>Completed Studies</u>	<u>FTE's</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 (as of 12/1/04)
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	93	Government MEO
Depot Corpus Christi, TX	124	Government MEO

Five studies, involving 1,596 FTEs, are waiting to be announced. Three studies involving 781 FTEs were announced in FY 2005. Because of new Office of Management and Budget policy (Circular A-76), studies that could not be completed in the 36-month time frame were cancelled and will be re-announced. The following table details the eight planned or in-progress A-76 studies:

<u>Studies Underway or Planned</u>	<u>FTE's</u>	<u>Status</u>
Depot Anniston, AL	239	Study to Be Announced
Depot Red River, TX	626	Study to Be Announced
Depot Oklahoma City, OK	576	Study Announced
Depot Norfolk, VA	530	Study to Be Announced
*SDP's Susquehanna, PA	138	Study Announced
& San Joaquin, CA	67	Study Announced
Depot Pearl Harbor, HI	122	Study to Be Announced
Depot Hill, UT (DEPMEDS)	79	Study to Be Announced

* SDP's: Strategic Distribution Platforms

Estimated costs/assumptions for the competitions are as follows:

- (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.

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. This budget submission reflects a projected AOR of \$99.3 million for FY 2007 and zero by FY 2008.
- Minimize Total Supply Chain Costs, as measured by Unit Cost for Distribution services. This submission establishes a projected unit cost rate (excluding transportation) for receipts and issues of \$21.34 for FY 2007 reflecting the agency's continuing focus on improved efficiency and decreasing the cost of doing business.
- Promote Confidence in Financial Stewardship, as measured by the activity group's ability to achieve and complete specific assigned milestones in the Agency's Chief Financial Officer (CFO) improvement plan. This activity group is current on meeting assigned milestones.

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. The FY 2005 survey current performance is at 86.8%. The goal is 90%.

LEARNING & GROWTH:

- Deliver Proper Knowledge & Skills, as measured by the ability for employees to complete training and achieve competency in the areas identified in their Individual Development Plans. Based on the climate culture survey, the activity group is at 60.7%. The target goal is 75%. Individual Development Plan execution is 96% for FY 2005 with a target of 97%.

INTERNAL PROCESS:

- Implement Perfect Order Fulfillment, as measured by ability to process requisitions within established timeframes. Current targets are to process high priority requisitions and routine requisitions within one day. Current performance levels are under the goal at .85 and .95 days respectively.
- Improve Inventory Accuracy, as measured by the ability to achieve activity group performance goals for Materiel Denials and Materiel Adjustments. The metric for materiel denials measures the percentage of requisitions denied against total requisitions. This metric was recently re-evaluated and made more stringent (from .8% to .5%). FY 2005 performance is .43%. The materiel adjustments metric is currently being established and will reflect a measure of the accuracy of inventory based on the variability of financial adjustments affecting inventory record balances.

PERSONNEL PROFILE:

End strength continues to decline. Some of the workforce has been converted to contractors due to A-76, downsizing, and some are temporary workforce as workload shifts up and down. Reductions in-force (RIF) to date has been accomplished mainly through the use of Voluntary Separation Incentive Pay (VSIP) and Voluntary Early Retirement Authority (VERA). The short-term increase in personnel for FY 2006 is due to the delay in A-76 studies underway and a higher rate than usual of turnover in FY 2005. The decrease in FY 2007 is due to A-76 and completion of stock positioning. 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 2005</u>	<u>FY 2006</u>	<u>FY2007</u>
Civilian End Strength	8,038	8,879	8,037
Civilian Full Time Equivalent (FTEs)	8,162	8,588	8,416
Military End Strength	152	151	151

BUDGET HIGHLIGHTS:

WORKLOAD:

Lines Received and Shipped:

Lines processed (either received or shipped) are the basic work count. Workload estimates have decreased due to a leveling off of OEF/OIF workload. In FY 05, Receipts and issues decreased 1.5M lines (6.0 percent) below the initial FY 2005 estimate mainly due to decreased requirements for Operations Enduring Freedom (OEF) and Iraqi Freedom (OIF).

These estimates reflect the latest forecasts, which do not include the recent Base Realignment and Closure (BRAC) decisions.

Lines Received and Shipped (Millions)

<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
24.4	25.0	24.6

Storage:

Using Net Landed Cost for storage, DLA bills the customer for materiel (based upon total item cube) stored in DLA's warehouses. In so doing, DLA has fully automated a previously manual process and has brought storage billing into real-time billing. This visibility allows DLA's customers to determine the level of inventory and type of storage they require from DLA. The correction of storage data through a joint Service effort continues to result in more accurate item cube data. The 2% reduction for covered storage during the budget period represents a projection of decreasing Service inventory requirements, but do not include BRAC decisions. Current estimates through the budget period are:

	<u>Item Cube</u> <u>(Millions CF) ^{1/}</u>		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Covered Storage Space	87.1	88.6	86.9
Open Storage Space	35.3	25.7	25.2
Specialized Storage Space	3.3	3.7	3.6

^{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 following table outlines DLA's rate schedule under Net Landed Cost:

Net Landed Cost Rates

		FY 05		FY 06		FY 07
		Actual				
Receipt						
Base		\$ 22.25		\$ 23.67		\$ 22.52 per line
Plus						
	1-40 lbs.	\$ 0.76		\$ 0.80		\$ 0.79 per line
	41-150 lbs.	\$ 8.76		\$ 9.23		\$ 9.16 per line
	151-2000 lbs.	\$ 19.95		\$ 21.01		\$ 20.86 per line
	2000+ lbs.	\$ 0.0101		\$ 0.0106		\$ 0.0100 per lb. + 151-2000 rate
Return		\$ 3.66		\$ 3.85		\$ 3.83 per line additional
Hazardous		\$ 12.29		\$ 12.94		\$ 12.85 per line additional
Hard-to-Handle		\$ 12.29		\$ 12.94		\$ 12.85 per line additional
Issue						
Onbase		\$ 9.95		\$ 10.58		\$ 10.17 per line
Plus						
	1-40 lbs.	\$ 0.76		\$ 0.80		\$ 0.79 per line
	41-150 lbs.	\$ 8.76		\$ 9.23		\$ 9.16 per line
	151-2000 lbs.	\$ 19.95		\$ 21.01		\$ 20.86 per line
	2000+ lbs.	\$ 0.0101		\$ 0.0106		\$ 0.0100 per lb. + 151-2000 rate
Offbase		\$ 13.41		\$ 14.26		\$ 14.72 per line
	1-40 lbs.	\$ 1.46		\$ 1.54		\$ 1.53 per line
	41-150 lbs.	\$ 20.17		\$ 21.24		\$ 21.09 per line
	151-2000 lbs.	\$ 39.95		\$ 42.07		\$ 41.77 per line
	2000+ lbs.	\$ 0.0149		\$ 0.0157		\$ 0.0200 per lb. + 151-2000 rate
Hazardous		\$ 12.29		\$ 12.94		\$ 12.85 per line additional
Controlled Item		\$ 5.81		\$ 6.12		\$ 6.07 per line additional
Hard-to-Handle		\$ 12.29		\$ 12.94		\$ 12.85 per line additional
FMS		\$ 5.96		\$ 6.28		\$ 6.23 per line additional
Out-of-Cycle		\$ 16.77		\$ 17.66		\$ 17.54 per line additional
Local Delivery		\$ 1.26		\$ 1.33		\$ 1.31 per line additional
Issue from Receiving						
Base		\$ 1.10		\$ 1.17		\$ 1.29 per line
Plus						
	1-40 lbs.	\$ 0.76		\$ 0.80		\$ 0.79 per line
	41-150 lbs.	\$ 8.76		\$ 9.23		\$ 9.16 per line
	151-2000 lbs.	\$ 19.95		\$ 21.01		\$ 20.86 per line
	2000+ lbs.	\$ 0.0101		\$ 0.0106		\$ 0.0100 per lb. + 151-2000 rate
Transshipments						
Mark For		\$ 5.08		\$ 5.40		\$ 5.16 per line
Onbase		\$ 9.77		\$ 10.39		\$ 9.87 per line
Offbase		\$ 19.22		\$ 20.44		\$ 19.36 per line
Material Processing Center		\$ 5.48		\$ 5.48		\$ 5.48 per line
	1-40 lbs.	\$ 1.46		\$ 1.54		\$ 1.53 per line
	41-150 lbs.	\$ 20.17		\$ 21.24		\$ 21.09 per line
	151-2000 lbs.	\$ 39.95		\$ 42.07		\$ 41.77 per line
	2000+ lbs.	\$ 0.0149		\$ 0.0157		\$ 0.0200 per lb. + 151-2000 rate
Estimated Transportation		\$ 294,900,000		\$ 259,319,000		\$ 203,147,000
Total Processing Cost		\$ 810,600,000		\$ 856,800,000		\$ 780,000,000
Composite Rate (without Transportation)		\$ 20.19		\$ 21.78		\$ 21.34
Workload		24.4M Lines		25.0M Lines		24.6M 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 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Covered Storage	\$3.195	\$3.122	\$2.810
Open Storage	\$0.669	\$0.901	\$0.799
Specialized Storage	\$4.828	\$4.289	\$3.952

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 total workload and rate schedule:

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Hourly Workload	1.3M	1.3M	1.3M
DLA Facilities	\$63.71	\$63.46	\$64.86
Non-DLA Facilities	\$50.97	\$50.77	\$51.89

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

Over-Ocean Transportation/Container Consolidation Point (OOT/CCP):

During FY 2005, DLA continued experiencing increased transportation costs of \$1.515 billion as a result of higher fuel costs; expenditures for the purchase of RF tags, pallets, nets, and containers in support of CCP operations; as well as a \$378.5 million dollar surcharge by TRANSCOM in order to maintain their solvency. FY 2006/FY 2007 OOT costs do not include any TRANSCOM surcharge. The CCP workload during FY 2005 was 3.4 million lines, which is expected to continue throughout the budget period.

Theater Consolidation Shipping Point (TCSP) - CENTCOM has requested DLA to assume this mission in Kuwait. The TCSP will act as the primary conduit for Class II (clothing, individual equipment, tools), III (packaged petroleum products), IV (construction materials) and IX (repair parts) items entering the theater. Under the current proposal DLA assumes TCSP will consolidate/segregate shipments from multiple sources and prepare for onward shipment directly to the customer by appropriate conveyance. DLA received Supplemental contingency Operations and Maintenance funding in FY 2005 to support this mission.

OPERATING RESULT. The decline in revenue and cost over the budget period reflects reduced workload experienced in FY 2005 and projected to continue through the budget period. The Net Operating Result (NOR) losses shown below reflect: (1) reduced processing workload in FY 2006, below the levels projected in the FY 2006 President's Budget when rates were set (25 million lines vice 26.5 million lines); (2) adjustments to FY 2007 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. We are projecting an AOR goal of zero by FY 2008.

NOR/AOR
(\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	2,804.1	2,538.6	2,296.2
Expenses	2,821.3	2,620.3	2,426.7
Operating Result	(17.2)	(81.7)	(130.6)
Other Changes Affecting NOR	0.0	0.0	0.0
NOR	(17.2)	(81.7)	(130.6)
Prior year AOR	328.8	311.6	229.9
Non-Recoverable Adjustment			
Impacting AOR	0.0	0.0	0.0
AOR	311.6	229.9	99.3

CAPITAL INVESTMENTS:

The Capital Investment program finances the reinvestment in the infrastructure for this activity group. The Distribution Depot Activity Group submits the following requirements:

(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Equipment (non-ADP)	\$17.9	\$15.5	\$17.9
Equipment (ADP/T)	\$10.8	\$18.1	\$11.4
Software Development	\$5.5	\$15.7	\$8.0
Minor Construction	\$7.7	\$9.3	\$8.9
Total	\$41.9	\$58.6	\$46.1

The FY 2006 capital budget estimate of \$58.6 million reflects an increase over the FY 2005 requirements. This is due to Automated Data Process (ADP) Equipment and Software necessary to support the RFID requirement. The Equipment and Software will provide DLA the capability to read passive RFID tags at receipt locations as directed by Departmental policy.

In FY 2007 the capital budget estimate decreases as RFID is implemented at OCONUS sites and the Distribution Planning Management System (DPMS) is deployed. DPMS will provide process integration to evaluate and optimize, at a global level, transportation operations. It will also integrate information about transportation rates, routes, carrier capacities and customer service requirements to better manage asset visibility and cost.

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Distribution Depots Activity Group
 Fiscal Year (FY) 2007 Budget Estimates
 Changes in Cost of Operations
 February 2006
 (Dollars in Millions)

FY 2005 Actual		2,821.3
FY 2006 Estimate in President's Budget		2,559.2
Estimated Impact in FY 2006 of Actual FY 2005 Experience:		-255.6
Depreciation	14.7	
Personnel Costs	19.8	
Supplies and Material	9.9	
Travel and Transportation of Personnel	2.2	
Transportation	-341.0	
Interfund Purchases	-1.0	
Other Purchased Services	35.6	
Equipment	4.2	
Pricing Adjustments:		71.0
Annualization of FY 2005 Pay Raise	4.2	
FY 2006 Pay Raise	10.9	
General Purpose Inflation	55.9	
Program Changes:		-16.4
Theater Consolidation Shipping Point (TCSP)	47.0	
Facilities Sustainment	40.7	
Transportation	-34.6	
Workload Decrease	-69.5	
FY 2006 Current Estimate		2,620.3
FY 2006 Current Estimate		2,620.3
Pricing Adjustments:		57.4
Annualization of FY 2006 Pay Raise	3.9	
FY 2007 Civilian Personnel Pay Raise	8.2	
General Purpose Inflation	45.3	
Program Changes:		-251.0
Facilities Sustainment	21.0	
VSIP/VERA	11.9	
Personnel Costs	-29.8	
Workload Decrease	-21.3	
Transportation	-232.8	
FY 2007 Estimate		2,426.7

Defense Logistics Agency
Defense-Wide Working Capital Fund
Distribution Depots Activity Group
Fiscal Year (FY) 2007 Budget Estimates
Source of New Orders and Revenue
February 2006
(Dollars in Millions)

	FY 2005	FY2006	FY 2007
1. New Orders			
a. Orders from DoD Components:	794.4	708.5	646.7
Other Services (Appropriated)			
DLA	10.4	4.1	2.6
Army	545.3	449.0	399.8
Navy	82.2	70.7	65.9
Air Force	87.2	77.4	74.1
Marine Corps	49.9	41.2	37.1
QOL	3.4	3.4	3.4
DDMA	15.9	15.7	16.8
TSCP	0.0	47.0	47.0
SRM	0.0	0.0	0.0
b. Orders from Other Working Capital Fund Activity Groups:	2,009.7	1,830.1	1,649.6
DLA	614.4	639.9	592.4
Army	918.1	780.2	690.9
Navy	180.1	151.9	136.0
Air Force	240.9	212.0	189.9
Marine Corps	56.3	46.1	40.3
c. Total DoD:	2,804.1	2,538.6	2,296.2
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	2,804.1	2,538.6	2,296.2
4. Funded Carry-over	0.0	0.0	0.0
5. Total Gross Sales	2,804.1	2,538.6	2,296.2

Defense Logistics Agency
 Defense-Wide Working Capital Fund
 Distribution Depots Activity Group
 Fiscal Year (FY) 2007 Budget Estimates
 Revenue and Expenses
 February 2006
 (Dollars in Millions)

	FY 2005	FY 2006	FY 2007
Revenue:			
Gross Sales	0.0	0.0	0.0
Operations	2776.3	2496.1	2253.7
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Maj Const	27.8	42.5	42.5
Other Income			
Total Income:	2804.1	2538.6	2296.2
Expenses:			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel	10.9	12.2	12.4
Civilian Personnel	421.2	500.7	494.8
Travel & Transportation of Personnel	7.4	9.5	10.7
Materials & Supplies (for Internal Operations)	71.8	83.7	73.9
Equipment	27.9	27.4	25.7
Other Purchased Services from Revolving Funds	48.0	49.9	47.2
Transportation of Things	1796.1	1468.0	1267.5
Depreciation-Capital	27.8	42.5	42.5
Printing and Reproduction	6.4	6.2	6.3
Advisory and Assistance Services	0.0	1.8	8.8
Rent, Communication, Utilities, & Misc. Charges	31.4	35.4	36.7
Other Purchased Services	372.4	383.0	400.3
Total Expenses	2821.3	2620.3	2426.8
Operating Result	-17.2	-81.7	-130.6
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR/AOR*	0.0	0.0	0.0
Net Operating Result	-17.2	-81.7	-130.6
Prior Year AOR	328.8	311.6	229.9
Accumulated Operating Result	311.6	229.9	99.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) FY 2007 Budget Estimates
February 2006

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Defense Reutilization and Marketing Service (DRMS) Activity Group is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 2005, DRMS received 3.5 million line items of useable property. DoD inventory managers submit requirements to DLA via automated requisitions using standard requisition and issue procedures. Items received by the DLA Defense Reutilization and Marketing Offices (DRMOs) meeting Military Services item manager criteria are automatically referred through front-end screening notices. The Military Services and the DLA Inventory Control Points reutilized \$1.8 billion worth of personal property in FY 2005, resulting in savings to the DoD and the Government. If property is not reutilized, it can be transferred to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations. In FY 2005, DRMS donated \$9.3 million worth of property (generators, heavy equipment, cots, blankets, health and comfort kits) to support relief efforts for Hurricanes Katrina and Rita. Depending on the nature of the property, the balance may be offered for competitive sale to the public.

In addition to useable property, DRMS received, recycled and/or disposed of over one billion pounds of scrap. DRMS also conducts the DoD precious metals recovery program, extracting these commodities from scrap metals. In FY 2005, DRMS recovered an exceptionally large amount of precious metals - over 590 thousand troy ounces of gold, silver and platinum family metals worth over \$8 million.

Some types of property require special handling to reduce risk to the public. Property having offensive or defensive characteristics undergoes a demilitarization process to remove those characteristics. In FY 2005, DRMS demilled over 100 thousand line items. Property that may contain small amounts of environmentally regulated substances not easily identifiable, such as electronic scrap, undergoes a demanufacturing 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

governed by the Resource Conservation Recovery Act (RCRA) 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 2005, DRMS disposed of over 8,000 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 direct funded by the Military Services.

Throughout the disposal process, DRMS is required to maintain stringent accountability for all excess and surplus property. This is done with their Disposal Automated Information System (DAISY).

The operational core of this organization lies with individual DRMOs located on military installations throughout the world. DRMOs receive, classify, segregate, demilitarize, account for and report excess material for screening, lotting, merchandising, and sales. Operational control and oversight is provided by DRMS headquarters, located in Battle Creek, Michigan.

CHANGES IN OPERATIONS

DRMS has adopted a corporate strategy of focusing, managing, and measuring logistics support based on customer needs; consistently providing responsive, best value supplies and services to their customers. DRMS is transitioning from a primarily geography-based activity that disposes of excess property to an information-based activity that utilizes a combination of best business practices to dispose of excess materiel more quickly and with a greater return on investment. Of critical importance is providing support to the warfighter at forward deployed locations where timely and accurate logistical support can affect the outcome of military operations.

DRMS is experiencing operational and financial impacts from support to Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF). DRMS is currently providing disposal support to all 47 countries in the CENTCOM area of responsibility as well as OEF operations in the Philippines. DRMS provides support from operating locations in Kuwait, Bahrain, Abu Dhabi, Afghanistan and Iraq with a fully operational DRMO located at Camp Arifjan, Kuwait. DRMS has been operating with five permanent positions at DRMO Arifjan, Kuwait, two at Abu Dhabi and one in Bahrain. This budget includes resources to establish and staff two additional DRMOs, DRMO Anaconda in Iraq and DRMO Bagram in Afghanistan, to handle the growing workload in this part of the world. DRMS deploys, as part of the DLA Contingency Support Team (DCST), for six months at a time to Iraq, Kuwait and Afghanistan. Volunteers are used from the DRMS workforce and DRMS Reservists. In addition, DRMS provides Temporary Duty (TDY)

support from the continental U.S. and overseas locations as required.

DRMS also continues to experience impacts from the increased scrutiny on disposition of controlled property, such as Nuclear Biological Chemical (NBC) suits. As a result, DRMS is taking a fresh look at risk management in support of national security. The DRMS Risk Management Program is designed to ensure that a risk assessment is included as part of the equation when making strategic and operational decisions about disposal of excess DoD property. Risk analysis will be used to identify, assess and mitigate the probability that the release of DoD material could be used to cause harm. Risk management will also ensure that potential impacts, agency-wide, are understood and appropriately considered as procedures and business strategies are developed and instituted. This budget also includes the resources necessary to make improvements in the overall management of excess DoD personal property.

DRMS continues to work with the Joint Equipment Assessment Program (JEAP) to ensure that all Nuclear Biological Chemical (NBC) assets are accountable in the DoD supply system and that none of these assets leave the DoD supply system without proper tracking. This type of increased scrutiny may be expanded to additional types of excess property depending on the outcome of the risk management assessment.

DRMS has a long-range goal of becoming a broker of information, which will result in the more efficient management of property. Their initiatives have been focused on enacting process improvements that will allow achievement of this goal. As DRMS transitions to an organization that is more adept at "moving information and not property," DRMS will be able to centralize its organizational presence at fewer strategic locations. This will allow DRMS to effectively perform its mission with substantially reduced infrastructure, labor and cost.

DRMS's first round A-76 study, completed in June 2000, converted performance of logistics functions at 10 DRMOs from government to contractor performance. In October 2001, DLA announced a second DRMS A-76 study of the property receiving, warehousing, and issuance functions at most of the remaining CONUS DRMOs. Offerors were required to submit a disposal network redesign in order to reduce excess infrastructure to include closing storage locations at a minimum of 15 DRMOs. The Most Efficient Organization (MEO) was determined to be the winner of this competition. The MEO will consolidate the receipt and storage of useable property at 18 operating locations, no longer operating warehouses at the other locations. DRMS will partner with the DLA Distribution Business Area to transport excess property from locations without warehouse

capability to one of 11 Hub locations. Implementation of the MEO will take place during FY 2006.

DRMS pioneered a joint commercial venture (CV) agreement with a private sector firm, to sell the majority of excess useable property in the continental U.S. This approach allows DRMS to capitalize on private sector flexibility and agility. As this partnership has matured, Government Liquidator's (GL) performance has continued to improve realizing increasingly better rates of return on sales. In FY 2005 DRMS awarded a contract, commonly referred to as Scrap Venture (SV), to initiate a similar public/private partnership for the sale of scrap. Implementation of SV is almost complete and initial returns are very positive.

BUDGET HIGHLIGHTS

TRANSACTION ACTIVITY BILLING:

DRMS recovers approximately 60 percent of their operating costs through Service Level Billing based on Transaction Activity Billing (TAB). The TAB model uses Activity Based Costing (ABC) and disposal workload to allocate the service level billing to the Military Services and DLA Supply Centers based on each component's use of DRMS' services. The special handling and processing of material causes increased costs and reduces proceeds for items being handled by DRMS.

We have used the TAB application workload estimates to determine customer funding levels. Customer service level billings based on previous budget determinations and this budget request are as follows:

	<u>\$ in Millions</u>		
Customer	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Army	63.7	55.3	41.5
Navy	42.6	36.8	28.0
Air Force	29.7	25.0	18.7
DLA	38.8	35.4	15.5
Total	174.8	152.5	103.7

Due to increased workload and better than expected performance by DRMS' commercial venture partner, DRMS achieved higher than expected sales in FY 2004 and FY 2005. This resulted in a positive Accumulated Operated Result (AOR), which is being returned to the customers as lower service level billings in FY 2007.

PERFORMANCE INDICATORS

The performance metrics for this activity group are a reflection of the agency priorities established by the DLA strategic plan. These 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., demilitarization) without generating any economic return to DoD through reutilization or sales; and (3) processes that are being performed through private sector partnerships (i.e., commercial venture 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 (RTD)** 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 RTD.
- c. **Sales** unit cost goal is based on all costs associated with the public sale of surplus 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 DEMIL required property 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 ABC Model. DRMS updates and refines the ABC Model during each budget submission to more accurately capture costs. The FY 2005 actual, and, FY 2006 through FY 2007 estimated goals and workload are reflected below:

Unit Cost Structure

Workload	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Receiving 1/	3.465	3.490	3.490
R/T/D 2/	.236	.210	.210
Sales 2/	.649	.669	.649
Haz Waste Disp 3/	219.2	243.0	230.0
Recycling/Disp 3/	1183.7	1248.9	1204.1

1/Workload in millions of lines items received

2/Workload in millions of line items disposed

3 Workload in millions of pounds disposed

Unit Cost	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Receiving	\$25.872	\$27.372	\$31.509
R/T/D	\$179.280	\$239.657	\$275.863
Sales	\$28.937	\$30.060	\$35.676
Haz Waste Disp	\$.197	\$.166	\$.201
Recycling/Disp	\$.041	\$.036	\$.043

2. REUTILIZATION/TRANSFER/DONATION (R/T/D):

RTD performance indicator is measured by the number of line items of useable property disposed by R/T/D expressed as a percentage of total line items of useable property disposed. Viewing R/T/D dispositions as a percentage of total dispositions indicates compliance with regulations that mandate reuse through these cost avoidance programs as the first priority of disposal.

3. PERCENT OF HAZARDUS MATERIAL (HM) DISPOSED BY REUTILIZATION/TRANSFER/DONATION/SALES(R/T/D/S):

This metric is measured by the number of line items of HM disposed by R/T/D/S expressed as a percentage of total line items of HM disposed. Disposing of HM through R/T/D/S prevents the need to expend DoD funds disposing of hazardous waste on a disposal contract, resulting in a cost avoidance for DoD.

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 MEASURE	GOAL	FY 2005 ACTUAL	FY 2006 GOAL	FY 2007 GOAL
R/T/D	Not less than:	17%	17%	17%
Percent of HM Disposed by R/T/D/S	Not less than:	58%	58%	58%
Customer Satisfaction Index	Increase to:	85%	87%	90%

Workload:

Workload projections were reviewed and revised based on input from DRMS generators. The Services are doing a better job of managing their inventories and thus generating less excess property; therefore, a decline in workload is expected. However, this is countered by additional workload resulting from troop rotation and deployment as well as workload resulting from OEF/OIF. Total workload projections remain relatively stable over the budget period.

The complexity of the workload has also increased resulting from added inspection requirements for excess NBC equipment. DRMS ships this property to centralized locations for inspection and processing by the Joint Equipment Assessment Program (JEAP) to ensure the items cannot be used inappropriately.

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

Revenue projections have been adjusted for FY 2005, FY 2006 and FY 2007 to reflect changes in estimated sales proceeds and the Service Level Bill. Sales proceeds are projected to be over 50 percent higher than previously estimated. This is based on having more property available to sell due to higher generations as well as an expectation that the current level of performance by the DRMS' commercial venture partner will continue. The projected sales performance assumes that DRMS will continue to be allowed to sell types and volumes of property consistent with current operations. Should these property streams become more tightly controlled based on risk management assessments, the ability to meet these sales projections will be impacted. The service level billing is decreased in FY 2007 to return NOR gains due to higher sales.

DRMS experienced a gain of \$55.3 million in FY 2004. This gain was based on better than expected sales to the public. Due to increased disposal workload, a larger volume of surplus property is being sold. DRMS' CV partner is also selling at a higher rate of

return than expected. This is due to both a reduction in operating costs and the expansion of innovative sales methods such as internet sales. DRMS had a gain of \$27.4 million in FY 2005 also due to better than expected sales to the public.

FYs 2006 and 2007 reflect losses due to the return of prior year AOR profits allowing breakeven by the end of FY 2007.

NOR/AOR(\$ in Millions)

	FY 2005	FY 2006	FY 2007
Revenue	349.9	309.2	265.3
Expenses	322.5	326.6	367.8
Operating Result	27.4	-17.4	-102.5
Other Changes Affecting NOR	0.0	0.0	0.0
NOR	-3.1	-1.4	-58.3
Prior year AOR	92.5	119.9	102.5
Non-Recoverable Adjustment			
Impacting AOR	0.0	0.0	0.0
AOR	119.9	102.5	0.0

MILITARY AND CIVILIAN PERSONNEL

Endstrength and FTE estimates reflect the volume and complexity of disposal workload.

Reductions in employment levels, without degradation of mission support, are achieved primarily by automation and management improvements. The FY 2006 numbers reflect A-76 Round 2 reductions.

The Department directed the DoD Agencies to develop specific transformation plans that result in more efficient and effective ways of conducting operations. In the DLA Enterprise Transformation effort, DLA vertically integrated its Information Operations, Financial Operations, and Support Services functions, from throughout DLA. The effort began in FY 2003, when an official list of functions inherent to each of the three areas was established, and each field activity was tasked to complete a manpower and cost baseline, based on those functions. These baselines supported the development of the Enterprise Transformation effort, which was initiated in FY 2005.

The table identifies budget estimates for full-time equivalents and end strength for DRMS and corporate allocations. Full time equivalents are coming down ten percent over the budget period.

Military and Civilian Personnel

	FY 2005	FY 2006	FY 2007
End Strength			
Military	9	9	9
Civilian	1,568	1,527	1,544
Total	1,577	1,536	1,553
Full-time Equivalents			
Military	9	9	9
Civilian	1,548	1,537	1,549
Total	1,557	1,546	1,558

CAPITAL EXPENDITURES

DRMS monitors the condition of facilities and equipment at 95 DRMOs to maintain a safe and healthy workplace in accordance with stringent environmental, safety, and health regulations. In FY 2006 and FY 2007, DRMS will replace shredders and front end loaders that have reached or exceeded their useful life at various DRMOs.

Beginning in FY 2006 DRMS will begin the Reutilization Modernization Program (RMP). RMP is planned to satisfy new mission system requirements using a commercial off the shelf (COTS) approach. The investment includes costs associated with the purchase of demand planning, commercial inventory management, and property accounting software to replace DRMS legacy applications. The investment will also include integration with DLA's Enterprise Resource Planning System. By leveraging information technology to synchronize DRMS operations with the supply chain, RMP will target essential processes to facilitate worldwide reuse, recycling and disposal solutions using a financially compliant business system.

Minor Construction projects are to enhance operations at various storage facilities to promote proper handling of hazardous materials, hazardous waste, and items requiring demilitarization. Minor construction projects in FY 2006 and FY 2007 will alter facilities to accommodate mission consolidation and relocation, renovate demilitarization facilities and upgrade security facilities. The table below depicts the capital program budget authority for FY 2005 through FY 2007:

Capital Program Budget Authority
(\$ in Millions)

	FY 2005	FY 2006	FY 2007
Non-ADP Equipment	0.7	1.2	1.2
ADP Equipment	0.1	0.0	0.0
Software Development	1.0	19.5	10.7
Minor Construction	3.0	2.0	2.0
Total	4.8	22.7	13.8

Defense Logistics Agency
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Services
Fiscal Year (FY) 2007 Budget Estimates
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	EXPENSES
FY 2005 ACTUAL	313.2
Pricing Adjustments:	8.3
Labor	3.3
Nonlabor	5.0
Program Changes:	5.1
Civilian Personnel Cost	16.8
Military Personnel Cost	0.0
Travel of Persons	0.1
Supplies	2.1
Equipment	-0.2
Intrafund Purchases	2.9
Transportation of Things	6.2
Depreciation	-1.1
Other Purchased Services	-21.7
FY 2006 Current Estimate	326.6
FY 2006 Current Estimate	326.6
Pricing Adjustments:	7.2
Labor	2.7
Nonlabor	4.5
Program Changes:	34.0
Civilian Personnel Cost	-9.5
Military Personnel Cost	-0.2
Travel of Persons	0.0
Supplies	0.0
Equipment	-0.9
Intrafund Purchases	1.8
Transportation of Things	1.2
Depreciation	2.1
Other Purchased Services	39.7
FY 2007 Estimate	367.8

DEFENSE LOGISTICS AGENCY
Defense Wide-Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2007 Budget Estimates
Source of New Orders and Revenue
February 2006
(Dollars in Millions)

	FY 2005	FY 2006	FY 2007
1.New Orders			
a.Orders from DoD Components	254.5	220.9	175.3
Army	83.7	85.9	73.5
Navy	86.9	56.0	48.1
Air Force	39.2	42.2	36.6
Other	44.6	36.9	17.1
b.Orders from Other Fund Activity Groups	4.6	7.6	7.9
c.Total DoD	259.1	228.5	183.2
d.Other Orders:	3.3	2.9	2.8
Other Federal Agencies	2.0	1.5	1.5
Foreign Military Sales	1.3	1.4	1.3
Total New Orders	262.4	231.4	186.0
2.Carry-In Orders	0.0	0.0	0.0
3.Total Gross Orders	262.4	231.4	186.0
4.Sales Proceeds	87.5	77.8	79.2
5.Total Gross Sales	349.9	309.2	265.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2007 Budget Estimates
Revenue and Expenses
February 2006
(Dollars in Millions)

	FY 2005	FY 2006	FY 2007
Revenue			
Sales			
Operations	349.9	309.2	265.3
Total Income:	349.9	309.2	265.3
Expenses			
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.8	0.8	0.6
Civilian Personnel Compensation & Benefits	103.9	118.6	111.6
Travel & Transportation of Personnel	4.7	5.0	5.0
Materials & Supplies (For Internal Operations)	0.4	2.5	2.5
Equipment	6.7	6.2	5.4
Other Purchases from Revolving Funds	11.8	15.0	17.1
Transportation of Things	20.1	28.2	29.9
Depreciation - Capital	8.3	7.2	9.3
Printing and Reproduction	0.0	0.4	0.4
Rent, Communication, Utilities & Misc. Charges	7.8	4.2	4.3
Advisory & Assistance Services	0.3	1.2	2.2
Other Purchased Services	157.7	137.6	179.4
Total Expenses	322.5	326.6	367.8
Operating Result	27.4	-17.4	-102.5
Adjustments Affecting NOR/AOR	0.0	0.0	0.0
Net Operating Result	27.4	-17.4	-102.5
Prior Year Adjustments -- Prior Year AOR	92.5	119.9	102.5
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	119.9	119.9	102.5
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
Accumulated Operating Result for Budget Purposes	119.9	102.5	0.0

**Defense Logistics Agency
Defense Wide Working Capital Fund (DWWCF)
Document Automation & Production Service
Fiscal Year (FY) 2007 Budget Estimates**

FUNCTIONAL DESCRIPTION: The Document Automation & Production Service (DAPS) is responsible for the DoD printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated services to include: document conversion, electronic storage and output, and the 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 (GPO).

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 181 production facilities.

CUSTOMERS: DAPS' primary customers are Army (23.1 percent), Navy (29.1 percent), Air Force (22.8 percent), Defense Agencies (18.1 percent), and non-DoD customers (6.9 percent). Both appropriated and DWCF-funded activities are included in each Service's percentage.

BUDGET HIGHLIGHTS

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. Actual production of 67.3 million pages exceeded the goal of 60.2 million pages converted.

2) Customer Satisfaction: This performance metric measures satisfied customers 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 has received the results of its FY 2005 customer satisfaction survey. DAPS achieved its goal of 90 percent customer satisfaction rating.

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 (2) the total in-house production revenue. DAPS achieved a rework percentage of .25 percent to exceed its goal of .34 percent.

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

	<u>FY 2005 Goal</u>	<u>FY 2005 Actual</u>
Unit Cost per In-house Production Unit	.0600	.0596

While in-house units produced were lower than planned, in-house costs were also lower than planned.

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 demonstrates that revenues exceeded expenses for the business activity.

AOR reflects multi-year results of annual NORs. Its measurement describes the accumulated affects of NORs from the inception of the business unit and demonstrates the fiscal strength over a longer time.

The following chart depicts the projected NOR / AOR for FY 2005 through FY 2007:

(\$ Millions)	FY 05	FY 06	FY 07
NOR	15.3	(3.4)	(8.5)
Prior Year AOR	0.6	15.9	12.5
Prior Year Adjustment			-
AOR	15.9	12.5	4.0

PERSONNEL: FY 2005 saw a 7.8 percent end strength reduction from FY 2004. This submission projects additional decreases due to workload reductions.

CAPITAL BUDGET: The capital budget is the account used to fund investments that exceed the \$100,000 expense/investment criteria. These investments fall into one of four categories: (1) Automated Data Processing Equipment (ADPE); (2) Non-ADPE; (3) Software developed for operational and management information systems and (4) Minor Construction projects. A capital budget item is assumed to have zero salvage value and is depreciated on a straight-line basis over its useful life. Depreciation is expensed and recovered as business related cost in DAPS prices.

DAPS capital budget reflects FY 2006 and FY 2007 funding for the Electronic Document Management (EDM) initiative.

ACTIVITY GROUP PROFILE

(Dollars and Workload in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Cost of Goods Sold	367.7	410.2	431.8
Pass through/Other Appropriations		1.7	
Net Operating Results	15.3	(3.4)	(8.5)
Accumulated Operating Results	15.9	12.5	4.0
Workload			
In-House Production (Units)	2135.9	2369.8	2307.5
Unit Cost			
In-House Production	0.0596	0.0605	0.0621
Customer Rate	0.0692	0.0621	0.0642
Customer Rate Change	3.17%	(1.00%)	2.55%
Document Conversion (pages)	67.3	63.2	66.4
Customer Satisfaction	90.0%	90.0%	90.0%
Rework Requests	0.25%	0.30%	0.27%
Civilian End Strength	795	807	785
Civilian Full-Time Equivalents	821	815	797
Capital Budget Program			
Equipment (Non-ADPE)	0.000	0.475	0.920
Equipment (ADPE)	1.286	1.300	3.194
Software Development	0.000	0.000	0.403
Minor Construction	0.035	0.300	0.300
TOTAL	1.321	2.075	4.817

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Document Automation and Production Service
 Fiscal Year (FY) 2007 Budget Estimates
 Changes in the Cost of Operation
 (\$ in Millions)

	<u>Expenses</u>
FY 05 Actual:	367.7
FY 06 Estimate in President's Budget	409.9
Pricing Adjustments:	
Annualization of FY 05 Pay Raise	0.3
FY 06 Pay Raise	(0.1)
General Purpose Inflation	0.6
Program Changes:	
Civilian Personnel	2.1
Travel of Persons	(0.4)
Transportation of Things	0.2
Material and Supplies	0.0
Equipment	1.6
Other Purchases from Revolving Funds	1.7
Printing and Reproduction	1.2
Rent, Communications, Utilities, and Misc	(2.3)
Other Purchased Services	(5.0)
Depreciation	0.4
FY 06 Current Estimate	410.2
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.4
FY 06 Pay Raise	0.9
General Purpose Inflation	7.5
Program Changes:	
Civilian Personnel	(1.3)
Material and Supplies	0.2
Equipment	(0.4)
Rents, Communications, Utilities, and Misc	(0.1)
Other Purchased Services from Revolving Fund	1.4
Printing and Reproduction	13.5
Other Purchased Services	(0.8)
Depreciation	0.3
FY 07 Current Estimate	431.8

DEFENSE LOGISTICS AGENCY
 Defense-Wide Working Capital Fund
 Document Automation and Production Service
 Fiscal Year (FY) 2007 Budget Estimates
 Source of New Orders and revenue
 (\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
a. Orders from DoD Components	285.8	308.9	320.6
Department of the Navy	87.3	94.3	97.9
Operations and Maintenance, Navy	52.8	57.1	59.2
Operations and Maintenance, Marine Corps	14.1	15.2	15.8
O&M, Navy Reserve	1.6	1.7	1.8
O&M, Marine Corps Reserve	0.1	0.1	0.1
Aircraft Procurement, Navy	0.8	0.9	0.9
Shipbuilding & Conversion, Navy	0.0	0.0	0.0
Research, Development, Test & Eval, Navy	0.4	0.4	0.4
Military Construction, Navy	0.2	0.2	0.2
Other Navy Appropriations	0.6	0.6	0.7
Credit Card Purchases, Navy	16.7	18.0	18.7
Department of the Army	84.6	91.4	94.9
Army Operation and Maintenance	27.2	29.4	30.5
O&M, Army Reserve	2.6	2.8	2.9
Army National Guard	2.3	2.5	2.6
Army Res, Dev, Test & Eval Accounts	0.9	1.0	1.0
Army Procurement Accounts	0.4	0.4	0.4
Army Other	0.5	0.5	0.6
Credit Card Purchases, Army	50.7	54.8	56.9
Department of the Air Force	71.5	77.3	80.2
Air Force Operation & Maintenance	27.7	29.9	31.1
O&M, Air Force Reserve	1.0	1.1	1.1
Air Force National Guard	1.8	1.9	2.0
Air Force Res, Dev, Test & Eval Accounts	1.4	1.5	1.6
Air Force Procurement Accounts	1.8	1.9	2.0
Air Force Other	0.1	0.1	0.1
Credit Card Purchases, Air Force	37.7	40.7	42.3
DoD Appropriated Accounts	42.4	45.8	47.6
Operation & Maintenance Accounts	9.8	10.6	11.0
Res, Dev, Test & Eval Accounts	0.7	0.8	0.8
Procurement Accounts	0.4	0.4	0.4
Pentagon Reservation Maintenance	4.2	4.5	4.7
Defense Health Program	18.7	20.2	21.0
DoD Other	0.7	0.8	0.8
Credit Card Purchases, Defense	7.9	8.5	8.9
b. Orders from other Fund Activity Groups	65.4	70.7	73.4
Navy	36.8	39.8	41.3
Army	2.1	2.3	2.4
Air Force	7.2	7.8	8.1
Other DoD	19.3	20.9	21.7
c. Total DoD	351.2	379.6	394.0
d. Other Orders	26.7	28.9	30.0
Other Federal Agencies	25.8	27.9	28.9
Credit Card Purchases	0.7	0.8	0.8
Non-Federal Agencies and Other	0.2	0.2	0.2
Total New Orders	378.0	408.5	424.0
2. Carry-In Orders	20.2	15.2	16.9
3. Total Gross Orders	398.2	423.7	440.9
4. Funded Carry-Over	15.2	16.9	17.6
5. Total Gross Sales	383.0	406.8	423.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Document Automation and Production Service
Fiscal Year (FY) 2007 Budget Estimates
Revenue and Expenses
(\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue			
Gross Sales	383.0	406.8	423.3
Operations	0.0	0.0	0.0
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Major Construction	0.0	0.0	0.0
Major Construction Depreciation	0.0	0.0	0.0
Other Income	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0
Total Income:	383.0	406.8	423.3
Expenses			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.0	0.0	0.0
Civilian Personnel Compensation & Benefits	54.6	56.2	56.2
Travel & Transportation of Personnel	1.9	2.1	2.1
Materials & Supplies (For Internal Operations)	19.8	21.6	22.3
Equipment	4.3	3.3	3.0
Other Purchases from Revolving Funds	4.5	6.0	7.5
Transportation of Things	0.9	1.3	1.3
Depreciation - Capital	3.7	3.9	4.2
Printing and Reproduction	223.2	248.6	267.6
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communications, Utilities, & Misc. Charges	9.9	10.6	10.6
Other Purchased Services	44.9	56.6	57.0
Total Expenses:	367.7	410.2	431.8
Operating Result	15.3	(3.4)	(8.5)
Net Operating Result	15.3	(3.4)	(8.5)
Prior Year Adjustments			
Prior Year AOR	0.6	15.9	12.5
Accumulated Operating Result	15.9	12.5	4.0
Non-Recoverable Adjustment Impacting AOR:			
Surcharge Prohibition			
Accumulated Operating Results for Budget Purposes	15.9	12.5	4.0

Defense Security Service
Fiscal Year (FY) 2007 Budget Estimates
February 2006

Functional Description

The Defense Security Service (DSS) is under the direction, authority and control of the Under Secretary of Defense (Intelligence).

On February 20, 2005, the Department of Defense (DoD) transferred the Personnel Security Investigation mission of the DSS to the Office of Personnel Management (OPM). The transfer included 1,568 Full-time Equivalent Personnel together with \$10.3 million in cash for the employees' accrued annual leave, \$114.1 million to complete investigations still in progress, and equipment valued at \$380 thousand. In addition, the DSS transferred \$5.95 million in DWCF cash and \$25 million from Operation and Maintenance, Defense Wide Appropriation to support the OPM's start up costs.

Prior to the transfer of personnel, OPM trained the DSS employees on the OPM information systems and processes. At the time of transfer, OPM assumed the responsibility for all of their support to include communications, office space, information technology, and transportation.

After the transfer, DSS initiated action to create the essential archives of the investigative files from the Case Control Management System (CCMS) and to decommission CCMS as part of the closeout of the PSI mission and the DWCF financial environment.

The DSS will closeout DWCF operations by the end of FY 2006. DSS is executing a detailed reconciliation/close-out of all prior year DWCF financial transactions. Prior to the DWCF closeout, DSS will clear all liabilities and de-capitalize any remaining assets. Resources needed to eliminate the negative cash balance in the fund will be made available via an internal transfer from within the Defense-Wide Working Capital Fund. DSS is making every effort to liquidate or de-obligate all open financial transactions in a manner that will reduce cash outlays to minimum levels.

The DSS PSI program operated in FY 2005 only through the point of transfer. Transactions processed for the remainder of FY 2005 and in FY 2006 relate to the close out of the fund.

<u>Manpower Budget Highlights:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian End Strength	0	-	-
Civilian Full-Time Equivalents	691	-	-

(Dollars in Millions)

<u>Key Financial Data:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	\$90.0	-	-
Cost of Goods Sold	<u>97.9</u>	<u>27.3</u>	-
Operating Results	-7.9	-27.3	-
Cash Transfer	0	141.5	-
Capital Asset Disposal	<u>0</u>	<u>-15.6</u>	-
Net Operating Results	-8.0	98.6	-
Accumulated Operating Results	<u>-72.4</u>	<u>26.2</u>	-
Non-recoverable for Budget Purposes	-	26.2	-
Accumulated Operating Results for Rate Purposes	-72.4	-	-

DEFENSE SECURITY SERVICE
Fiscal Year (FY) 2007 President's Budget
February 2006
Exhibit Fund 2 Changes in Costs of Operation

(\$ in Millions)

		<u>Expenses</u>
FY 2005	Actual	97.926
	Pricing Adjustments:	0.000
	Annualization of Prior Year Pay Raises	0.000
	Fund Price Changes	0.000
	General Purchase Inflation	0.000
	Efficiencies:	0.000
	Program Changes:	(70.626)
	DSS Transferred PSI Mission to OPM February 20, 2005.	(70.626)
	Other Changes:	0.000
FY 2006	Estimate:	27.300
	Pricing Adjustments:	0.000
	Annualization of Prior Year Pay Raises	0.000
	Fund Price Changes	0.000
	General Purchase Inflation	0.000
	Efficiencies:	0.000
	Program Changes:	(27.300)
	Close out of DSS DWCF	(27.300)
FY 2007	Estimate:	(0.000)

DEFENSE SECURITY SERVICE
Fiscal Year (FY) 2007 President's Budget
February 2006
Exhibit Fund 11 Source of New Orders and Revenue
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
a. Orders from DoD Components:			
Department of the Army	5.730		
Department of the Navy	6.266		
Department of the Air Force	7.119		
Subtotal Military Department O&M:	19.115	0	
Defense-Wide Operations and Maintenance			
DARPA			
DCAA			
DCMA			
DIA			
DMDC			
DOHA			
DSS			
DSS-DSSA			
DSS-ISP			
DSS-PSI	51.479		
DTRA			
JCS			
MEPCOM			
NIMA			
NSA			
TRICARE			
USSOCOM			
USUHS			
WHS			
Subtotal Defense-Wide O&M:	51.479	0	
Other Operations and Maintenance			
OIG		0	
b. Orders from other Fund Activity Groups			
DECA			
DFAS			
DISA			
DLA			
Other			
Subtotal, DWCF	0.000	0	
c. Total DoD	70.594	0.000	0.000
d. Other Orders:			
Department of Homeland Security/Coast Guard			
General Accounting Office			
General Service Administration			
White House			
Other			
Subtotal Non-DoD Agencies and Others:	0.000	0	
Total New Orders:	70.594	0.000	0.000
2. Carry-in Orders	19.678	0.000	0.000
3. Total Gross Orders	90.272	0.000	0.000
4. Revenue (-)	90.272	0.000	0.000
5. Funded Carryover	0.000	0.000	0.000
6. Months of Carryover	0.000	0.000	0.000

DEFENSE SECURITY SERVICE
Fiscal Year 2006/2007 Biennial Budget Estimate
February 2006
Exhibit Fund 14 Revenue and Expenses

(Dollars in Millions)

		<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue				
	Gross Sales:	89.965	0.000	0.000
	Operations	89.965	0.000	0.000
	Surcharges	0.000	0.000	0.000
	Depreciation	0.000	0.000	0.000
	Major Construction Depreciation			
	Other Income			
	Refunds/Discounts (-)			
	Total Income:	89.965	0.000	0.000
Expenses				
	Salaries and Wages:	38.386	0.000	0.000
	Military Personnel Compensation & Benefits	0.000	0.000	0.000
	Civilian Personnel Compensation & Benefits	38.386	0.000	0.000
	Travel & Transportation of Personnel	1.362	0.000	0.000
	Materials & Supplies (For Internal Operations)	1.087	0.000	0.000
	Equipment	0.000	0.000	0.000
	Other Purchases from Revolving Funds	0.550	0.000	0.000
	Transportation of Things	0.182	0.000	0.000
	Depreciation - Capital	10.600	0.000	0.000
	Printing and Reproduction	0.042	0.000	0.000
	Advisory and Assistance Services	0.040	0.000	0.000
	Rent, Communication, Utilities, & Misc. Charges	5.795	0.750	0.000
	Other Purchased Services	39.882	26.550	0.000
Total Expenses:	Cost of Goods Sold	97.926	27.300	0.000
Operating Result		(7.961)	(27.300)	0.000
	Less Capital Surcharge Reservation	0.000	0.000	0.000
	Plus Passthroughs or Other Appropriations Affecting NOR		141.532	0.000
	Other Adjustments Affecting NOR:	0.000	0.000	0.000
	Other Inventory Adjustments	0.000	(15.592)	0.000
	Net Change in WIP	0.000	0.000	0.000
Net Operating Result		(7.961)	98.640	0.000
	Prior Year Accumulated Balance	(64.367)	(72.328)	0.000
Accumulated Operating Result		(72.328)	26.312	0.000
	Non-recoverable Adjustment Impacting AOR (specify)		(26.312)	
Accumulated Operating Results for Budget Purposes		(72.328)	0.000	0.000