

Department of Defense

Revolving Funds

Justification/Overview



Fiscal Year (FY) 2007 President's Budget

February 2006

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WASHINGTON HEADQUARTERS SERVICES
Summary of Operations
Fiscal Year (FY) FY 2007 Budget
Pentagon Reservation Maintenance Revolving Fund

Activity Group Function:

The Pentagon Reservation Maintenance Revolving Fund (PRMRF) was established by the FY 1991 Defense Authorization Act (10 USC 2674). The fund is responsible for the maintenance, protection, repair and renovation of the Pentagon Reservation. As established, the "Pentagon Reservation" refers to that area of land (consisting of approximately 280 acres) located in Arlington, Virginia, on which stand the Pentagon Building, Federal Office Building #2, and the Pentagon Heating and Sewage Treatment Plants. It also refers to other related facilities to include the land and physical facilities at the Raven Rock Mountain Complex. The PRMRF is financed by funds collected via a basic user charge for space and building services. Services above those paid for basic charges are recovered on a reimbursable basis.

Activity Group Composition:

The PRMRF finances the activities of the Washington Headquarters Services (WHS), the Pentagon Force Protection Agency (PFPA) and the Raven Rock Mountain Complex (RRMC) in providing space, building services, deep underground relocation capability, and force protection for Department of Defense (DoD) Components, including Military Departments and other activities housed within the Pentagon Reservation.

Real Property Operations: The Defense Facilities Directorate is responsible for the safe and efficient operation, maintenance and repair of the Pentagon Reservation which includes the Pentagon, the Pentagon Heating and Sewage Treatment Plants, Federal Office Building #2 (Navy Annex), and all Reservation grounds and parking areas. Real Property Operations include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support. Additional services include operating expenses for purchased utilities, operation of the Pentagon's Heating and Refrigeration Plant and classified waste incinerator. These services maintain the facilities at levels adequate to support the assigned mission and to prevent deterioration and damage to Reservation buildings, their support systems and operating equipment.

Pentagon Force Protection Agency (PFPA): The Pentagon Force Protection Agency (PFPA) was established in May 2002 by the Deputy Secretary of Defense as a Defense Agency under Title 10 USC 191. The mission of PFPA is to provide force protection, security, anti-terrorism, law enforcement, and chemical, biological, radiological, and nuclear protection as required for the people, facilities, infrastructure and other resources at the Pentagon Reservation and DoD activities within the National Capital Region (NCR). PFPA is the DoD focal point for coordination with DoD components, executive departments, agencies, state and local authorities on matters which involve force protection, security, and law enforcement for the Pentagon Reservation and DoD facilities within the NCR.

Pentagon Renovation and Construction: The Pentagon Renovation Program provides all new mechanical, electrical, plumbing and sprinkler systems, vertical transportation, cable management systems, improvements in fire and life safety systems, and accessibility throughout for persons with disabilities. It also preserves historic building elements, upgrades operation centers, installs modern telecommunications support features, and complies with energy conservation and environmental requirements. To manage this extensive program, the Pentagon Renovation and Construction (PENREN) develops and employs construction business practices that are performance based and results oriented. The renovation is scheduled for completion in FY 2010.

Raven Rock Mountain Complex (RRMC): The mission of Raven Rock Mountain Complex is to support the Continuity of Operations Plan (COOP) for the Office of the Secretary of Defense and the Joint Staff. Real property operation include cleaning, preventive maintenance, operation and repair of mechanical and utility systems, roads and grounds maintenance, fire and emergency services, food services, information management support services, and administrative support. These services support the Raven Rock Mountain Complex customer base to provide maintenance and upkeep of facilities within the Complex at levels adequate to support their assigned mission and to prevent deterioration and damage to its facilities, systems, and operating equipment.

The following table summarizes PRMRF obligation authority by activity group:

Budget Sub-activity	<u>(Dollars in Millions)</u>					
	<u>FY 2005</u>		<u>FY 2006</u>		<u>FY 2007</u>	
	<u>Operating</u>	<u>Capital</u>	<u>Operating</u>	<u>Capital</u>	<u>Operating</u>	<u>Capital</u>
Real Property Operation	128.4	0.0	144.2	0.0	166.1 *	0.0
Pentagon Renovation	114.1	379.0	92.2	201.7	86.7	321.0
PFPA	148.6	9.0	162.3	1.5	174.3	4.6
RRMC	<u>27.2</u>	<u>0.3</u>	<u>51.6</u>	<u>0.4</u>	<u>36.8</u>	<u>0.4</u>
Total	418.3	388.3	450.3	203.6	463.9	326.0
	806.6		653.9		789.9	

* Note: FY 2007 obligation authority includes \$18.5 million in direct appropriation for the Pentagon Memorial.

Operating Budget:

Budget estimates in FY 2006 assume annual inflationary increases for utilities, supplies, equipment, service contracts, and civilian pay raises. Maintenance and repair services will be maintained at commercially equivalent levels.

PFPA’s budget estimates are developed and programmed to provide a safe and secure environment for and to deter acts of terrorism against DoD personnel, assets, and facilities through an effective, proactive, and viable force protection and anti-terrorism program. If deterrence fails, PFPA has the first responder capability to detect, defend against, respond to, and mitigate the incident.

Capital Budget:

In FY 2006, renovation of the Pentagon continues with Wedge 3 design and construction, the beginning of Wedge 4 design and construction, and completion of the Unified Command Center/Resources Situation Awareness Center. Information Management and Telecommunications (IM&T) planning, engineering management, and acquisition will continue through FY 2007.

The PFPA budget estimates include funding of their Life Systems Architecture which includes Information Assurance, land mobile radios, procurement of chemical, biological, radiological sensors and building protection/detection sensor integration, and joint system enhancements.

The RRMC budget estimates include the purchase of one fire engine/pumper in FY 2006 and FY 2007 respectively.

Significant Changes in Activity Group:

FY 2006 estimates reflect costs associated with site preparation (including relocation of existing utilities) for the construction of the Pentagon Memorial on the west side of the Pentagon. The FY 2006 funding requirement of \$8.0 million is funded from within existing PRMRF resources.

FY 2007 estimates include the cost to construct the Pentagon Memorial, estimated at \$21.0 million. A direct appropriation of \$18.5 million is requested in FY 2007 to fund the majority of the construction with the remaining \$2.5 million funded from existing Memorial Fund cash deposits. To the extent that additional Memorial Fund cash deposits become available, those funds would be used to offset construction and future maintenance costs associated with the Memorial.

PFPA's mission expanded in FY 2006 to include the screening of all official mail and parcel deliveries to the Pentagon which the WHS will deliver to components vice the United Parcel Service (UPS) or Federal Express (FedEx) delivery services. In addition, chemical, biological, and radiological activities are funded through FY 2007 to include planning conferences, Table Top exercises, and after action reports.

Financial Profile:

(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	804.7	635.3	765.9
Expenses	<u>806.6</u>	<u>653.9</u>	<u>789.7</u>
Net Operating Result (NOR)	-1.9	-18.6	-23.8
Disbursements	878.8	735.0	780.0
Collections	<u>820.7</u>	<u>635.3</u>	<u>765.9</u>
Net Outlays	58.1	99.7	14.1

The negative NOR reflects the funding of specific PRMRF initiatives from within existing PRMRF cash balances, thus reducing the current revenue requirement. These initiatives include RRMC's force protection requirements, PFPA's rent stabilization, the Pentagon Memorial, and initial design of the south parking utility repair project.

Staffing:

	<u>Full Time Equivalents</u>		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Real Property Operations	333	358	358
Pentagon Renovation	32	35	35
Pentagon Force Protection Agency	<u>699</u>	<u>883</u>	<u>991</u>
Total	1,064	1,276	1,384

The significant increase from FY 2005 is attributed to the hiring of security forces by the PFPA for increased RRMC force protection requirements and military to civilian conversions. Beginning in FY 2006, the increase also includes the consolidation of three executive drivers for the PFPA to provide support to Senior DoD officials.

WASHINGTON HEADQUARTERS SERVICES
 Summary of Price, Program and Other Changes - Obligations
 FY 2007 Budget Estimates
 Pentagon Reservation Maintenance Revolving Fund
 February 2006
 (Dollars in Millions)

<u>Element of Expense</u>	Cost of		Price Growth		Program & Other Changes	Cost of Operations FY 2006
	Operations FY 2005	Annualization of Pay Raises		Amount		
Civilian Personnel Compensation	73.5	0.0	0.0%	0.0	22.6	96.1
Civilian Personnel Benefits	20.4	0.0	0.0%	0.0	-0.2	20.2
Benefits to Former Employees	0.0	0.0	0.0%	0.0	0.3	0.3
Travel	0.7		0.0%	0.0	0.9	1.6
Transportation	0.4		0.0%	0.0	0.2	0.6
Rent	9.3		0.0%	0.0	-1.6	7.7
Communication and Utilities	35.8		0.0%	0.0	-0.7	35.1
Printing	0.1		0.0%	0.0	0.0	0.1
Other Services	626.6		0.0%	0.0	-179.8	446.8
Supplies and Materials	14.4		0.0%	0.0	-2.8	11.6
Equipment	25.1		0.0%	0.0	8.6	33.7
Interest & Dividends	0.3		0.0%	0.0	-0.2	0.1
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	806.6	0.0		20.0	-173.6	653.9

WASHINGTON HEADQUARTERS SERVICES
 Summary of Price, Program and Other Changes - Obligations
 FY 2007 Budget Estimates
 Pentagon Reservation Maintenance Revolving Fund
 February 2006
 (Dollars in Millions)

<u>Element of Expense</u>	<u>Cost of Operations FY 2006</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth %</u>	<u>Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY 2007</u>
Civilian Personnel Compensation	96.1	0.0	0.0%	0.0	8.3	104.4
Civilian Personnel Benefits	20.2	0.0	0.0%	0.0	2.3	22.5
Benefits to Former Employees	0.3	0.0	0.0%	0.0	0.0	0.3
Travel	1.6		0.0%	0.0	-0.3	1.3
Transportation	0.6		0.0%	0.0	0.0	0.6
Rent	7.7		0.0%	0.0	1.4	9.1
Communication and Utilities	35.1		0.0%	0.0	0.7	35.8
Printing	0.1		0.0%	0.0	0.0	0.1
Other Services	446.8		0.0%	0.0	119.2	566.0
Supplies and Materials	11.6		0.0%	0.0	0.6	12.2
Equipment	33.7		0.0%	0.0	3.6	37.3
Interest & Dividends	0.1		0.0%	0.0	0.0	0.1
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	653.9	0.0		13.6	121.5	789.7

WASHINGTON HEADQUARTERS SERVICES
Changes In Cost Of Operations
FY 2007 Budget Estimates
Pentagon Reservation Maintenance Revolving Fund
February 2006
(Dollars in Millions)

	<u>Expenses</u>
FY 2005 Actual:	806.6
FY 2006 Estimate (FY 2006 President Budget)	645.6
Pricing Adjustments:	
Civilian Pay	3.1
Inflation (All other categories)	14.9
Utilites and Fuel Cost Escalations	0.8
Program Changes:	
Direct Labor	20.2
Pentagon Memorial construction	8.0
Executive Drivers	0.3
Renovation program - Wedge 3	-42.4
Contract Services	3.4
FY 2006 Estimate:	653.9
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	0.7
FY 2007 Civilian Pay Raise	1.8
Inflation (All other categories)	10.9
Utilities and Fuel Cost Escalations	0.9
Program Changes:	
Direct Labor	8.0
Pentagon Memorial construction	21.0
Executive Drivers	0.3
RRMC Protection Requirements	16.2
South Parking Utility Repair	0.9
Renovation Program - Wedge 4	82.1
Contract Services	-7.0
FY 2007 Estimate:	789.7

WASHINGTON HEADQUARTERS SERVICES
Source of New Orders and Revenue
FY 2007 Budget Estimates
Pentagon Reservation Maintenance Revolving Fund
February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. Funded Customer Orders			
a. Rent Orders from DoD Components:			
Department of the Air Force	135.0	108.4	133.1
Department of the Army	259.5	142.0	175.0
United States Marine Corps	47.0	42.8	50.5
Department of the Navy	75.2	68.4	81.7
Subtotal Military Departments	516.7	361.6	440.3
Defense-Wide			
AFIS	0.6	0.2	0.2
DIA	27.0	22.2	27.5
DISA	12.9	12.8	14.5
DLA	0.4	0.3	0.3
DLSA	0.7	0.5	0.7
DTRA	0.4	0.7	0.7
JCS	80.9	60.9	71.9
MDA	6.1	14.9	15.4
NGA (NIMA)	0.8	0.4	0.5
NSA	0.1	0.3	0.4
PFPA	4.6	6.8	8.0
WHS	101.8	103.8	127.8
Subtotal Defense-Wide	236.3	223.7	267.9
Orders Non-DoD Agencies:			
DoD Concessions Committee	0.8	0.9	0.9
b. Total Standard Level Rent Orders	753.8	586.2	709.1
c. Other Orders:			
Above Standard Level Services:			
Building Services and Space Adjustments	28.9	26.8	24.7
PENREN/C Customer Orders	13.8	14.0	16.0
Renovation Furniture	5.0	5.1	10.3
Force Protection	3.2	3.2	3.3
Subtotal Above Standard Services	50.9	49.1	54.3
d. Other Sources	0.0	0.0	2.5
Pentagon Memorial Fund	0.0	0.0	2.5
Total New Orders:	804.7	635.3	765.9

WASHINGTON HEADQUARTERS SERVICES
Revenue and Expenses
FY 2007 Budget Estimates
Pentagon Reservation Maintenance Revolving Fund
February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue:			
Standard level	753.8	586.2	709.1
Above standard level	<u>50.9</u>	<u>49.1</u>	<u>56.8</u>
Total Revenue	804.7	635.3	765.9
 <u>Standard Level Operating Expenses:</u>			
Real Property Operations:			
	<u>100.7</u>	<u>112.2</u>	<u>131.1</u>
Cleaning	20.4	21.7	22.1
Utilities & fuel	6.4	12.9	15.3
Maintenance	21.8	20.5	21.0
Other building services	6.9	8.5	8.7
Administration	29.6	35.7	53.0
Repairs (over \$10,000)	14.4	12.9	11.0
Protection	1.2	0.0	0.0
 Pentagon Force Protection Agency:	 154.1	 160.7	 175.6
 Pentagon Renovation:	 <u>480.3</u>	 <u>279.9</u>	 <u>391.6</u>
Design and Construction	180.6	131.8	217.4
Information Management & Telecommunications (IM&T)	66.0	31.8	32.6
Swing Space	55.8	51.7	51.2
Administration	15.6	17.4	16.6
Other Services	22.3	9.1	17.5
Life Safety	21.2	0.0	23.5
Renovation Acceleration	41.8	27.6	32.8
Command Communications Survivability Program	50.3	2.6	0.0
Site R Improvements	3.1	0.0	0.0
Unified Command Center/Resources Situation Awareness Center (UCC/RSAC)	23.6	7.9	0.0
 Raven Rock Mountain Complex:	 27.5	 51.9	 37.2

Exhibit Fund 14

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WASHINGTON HEADQUARTERS SERVICES
Revenue and Expenses
FY 2007 Budget Estimates
Pentagon Reservation Maintenance Revolving Fund
February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<u>Above Standard Reimbursable Expenses:</u>			
Real Property Operations:	<u>27.8</u>	<u>32.0</u>	<u>35.0</u>
Cleaning	0.0	0.0	0.0
Utilities and Fuel	7.0	7.1	7.3
Maintenance	0.4	0.4	0.4
Space adjustments, renovation furniture & other	20.4	24.5	27.3
Pentagon Renovation	12.8	14.0	15.9
Pentagon Force Protection Agency	3.4	3.2	3.3
Total Operating Expenses	806.6	653.9	789.7
Cost of Services	806.6	653.9	789.7
Net Operating Result	0.0	0.0	0.0
Accumulated Operating Result	0.0	0.0	0.0

WASHINGTON HEADQUARTERS SERVICES
 Cost of Basic Services
 FY 2007 Budget Estimates
 Pentagon Reservation Maintenance Revolving Fund
 February 2006

PROGRAM	FY 2005		FY 2006		FY 2007	
	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.
Cleaning	4,725,242	\$4.32	4,725,242	\$4.59	4,725,242	\$4.68
Utilities & Fuel	4,725,242	\$1.35	4,725,242	\$2.73	4,725,242	\$3.24
Maintenance	4,725,242	\$4.61	4,725,242	\$4.34	4,725,242	\$4.44
Other Building Services	4,725,242	\$1.46	4,725,242	\$1.80	4,725,242	\$1.84
Administrative	5,038,658	\$5.87	5,038,658	\$5.50	5,038,658	\$6.35
Administrative Cost as Percent of Total Program Cost		29.4%		26.6%		29.1%

1. Workload Avg. Square footage is based on occupiable space. It does not include outside parking and it excludes reimbursable above standard services
2. Utilities & Fuel increases in FY 2006 and FY 2006 due to projected cost for fuel and electricity.

WASHINGTON HEADQUARTERS SERVICES
 Summary Statement
 FY 2007 Budget Estimates
 Pentagon Reservation Maintenance Revolving Fund
 February 2006
 (Dollars in Millions)

	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>Disbursements by Fiscal Year</u>					
					<u>06</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>0</u>	<u>1</u>
<u>Pentagon Bldg. Renovation:</u>										
FY 2005	493.1	493.1	493.1	493.1	227.1	135.9	75.3	7.7		
FY 2006	293.9	293.9	293.9	293.9	182.4	71.1	40.4	14.0	13.1	
FY 2007	407.6	407.6	407.6	407.6		218.4	189.3	66.3	37.9	5.4
<u>Pentagon Force Protection Agency:</u>										
FY 2005	157.6	157.6	157.6	157.6	25.0					
FY 2006	163.9	153.3	153.3	163.9	122.9	41.0				
FY 2007	178.9	174.5	174.5	178.9		134.2	44.7			
<u>Real Property Operations:</u>										
FY 2005	128.4	126.5	126.5	128.4	12.1					
FY 2006	144.2	136.2	136.2	144.2	121.0	23.2				
FY 2007	166.1	146.7	146.7	166.1		116.3	49.8			
<u>Raven RockMountain Complex:</u>										
FY 2005	27.5	27.5	27.5	27.5	3.0					
FY 2006	51.9	51.9	51.9	51.9	41.5	10.4				
FY 2007	37.1	37.1	37.1	37.1		29.7	7.4			
<u>Total PMRF:</u>										
FY 2005	806.6	804.7	804.7	806.6	267.2	135.9	75.3	7.7		
FY 2006	653.9	635.3	635.3	653.9	467.8	145.7	40.4	14.0	13.1	
FY 2007	789.7	765.9	765.9	789.7		498.5	291.3	66.3	37.9	5.4

<u>Cash:</u>	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>
FY 2005	531.1	820.7	878.8	473.0
FY 2006	473.0	635.3	735.0	373.3
FY 2007	373.3	765.9	780.0	359.2

WASHINGTON HEADQUARTERS SERVICES
Business Area Capital Purchase Justification
FY 2007 Budget Estimates
Pentagon Reservation Maintenance Revolving Fund
February 2006
(Dollars in Thousands)

Line Number	Item Description	FY 2005		FY 2006		FY 2007	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Equipment - Other	1	9,000	1	1,543	1	4,562
2	Major Construction - Replacement	1	379,000	1	201,700	1	321,000
3	Fire Vehicle	<u>1</u>	<u>250</u>	<u>1</u>	<u>375</u>	<u>1</u>	<u>390</u>
	TOTAL	3	388,250	3	203,618	3	325,952

WASHINGTON HEADQUARTERS SERVICES
 Business Area Capital Purchase Justification
 FY 2007 Budget Estimates
 Pentagon Reservation Maintenance Revolving Fund
 February 2006
 (Dollars in Thousands)

B. Pentagon Force Protection Agency		ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)									
		C. Line No.1, Equipment Other					D. Pentagon Reservation Maintenance Revolving Fund				
Element of Cost (\$000)	Quantity	FY 2005		Total Cost	Quantity	FY 2006		Total Cost	Quantity	FY 2007	
		Unit Cost	Total Cost			Unit Cost	Total Cost			Unit Cost	Total Cost
Equipment - except ADPE & Telcomm	1	9,000	9,000	9,000	1	1,543	1,543	1,543	1	4,562	4,562
TOTAL	1	9,000	9,000	9,000	1	1,543	1,543	1,543	1	4,562	4,562

Narrative Justification:

FY 2006: \$1.5 million will be executed for the following PFPA initiatives:

- \$1.5 million in PFPA Life Systems Architecture which includes:
 - Information Assurance, and land mobile radios - (\$537K)
 - Procurement of chemical, biological, radiological sensors and building protection/detection sensor integration, and the joint operations system enhancements - (\$1,006K)

FY 2007: \$4.6 million will be executed for the following PFPA initiatives:

- Incident Command Support Network - (\$200K)
- Digital recording capability for new cameras - (\$100K)
- Systems defense and computer network defense - (\$100K)
- Land mobile radios - (\$250K)
- Life Safety System Equipment - (\$1,927K)
- Procurement of chemical, biological, radiological detection sensors and protection/detection sensor integration, and the joint operations system enhancements - (\$1,985K)

WASHINGTON HEADQUARTERS SERVICES
 Business Area Capital Purchase Justification
 FY 2007 Budget Estimates
 Pentagon Reservation Maintenance Revolving Fund
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B. Pentagon Renovation		C. Line No. 2, Major Construction				D. Pentagon Reservation Maintenance Revolving Fund				
		A. FY 2007 Budget Estimates								
ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)										
Element of Cost (\$000)	FY 2005		FY 2006		FY 2007		FY 2006		FY 2007	
	Quantity	Unit Cost	Quantity	Total Cost	Quantity	Unit Cost	Quantity	Total Cost	Quantity	Unit Cost
Major Construction	1	379,000	1	379,000	1	201,700	1	201,700	1	321,000
TOTAL	1	379,000	1	379,000	1	201,700	1	201,700	1	321,000

Narrative Justification.

FY 2006: \$201.7 million will be invested in Renovation initiatives to include:

1. Continuation of design and construction activities, including design, construction, energy management control system, lock hardware and security systems and interior signs for Wedge Three (\$21.3 million)
2. Design and Construction activities for Wedge Four (\$5.5 million)
3. Construction management and assurance (\$5.0 million)
4. Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$31.8 million)
5. Renovation acceleration (\$27.6 million)
6. Completion of the construction activities for the Unified Command Center /Resources Situation Awareness Center (\$7.9 million)
7. Command Communications Survivability (\$2.6 million)

FY 2007: \$321.0 million will be invested in Renovation initiatives to include:

1. Design and Construction activities, including design, construction, energy management control system, lock hardware, and security systems and interior signs for Wedge Three (\$84.5 million)
2. Design and Construction activities for Wedge Four (\$143.0 million)
3. Construction management and quality assurance (\$5.0 million)
4. Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$31.0 million)
5. Renovation acceleration (\$33.4 million)
6. Life Safety initiatives in Wedge Four to enhance safety, fire suppression, and blast resistance for the Pentagon (\$24.1 million)

WASHINGTON HEADQUARTERS SERVICES
 Business Area Capital Purchase Justification
 FY 2007 Budget Estimates
 Pentagon Reservation Maintenance Revolving Fund
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 (Dollars in Thousands)

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)															
B. Raven Rock Mountain Complex (RRMC)	C. Line No. 3, Equipment					D. Pentagon Reservation Maintenance Revolving Fund									
	FY 2005					FY 2006					FY 2007				
	Quantity	Unit Cost	Total Cost	Quantity	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Fire Vehicle	1	250	250	1	250	1	375	375	1	390	390	1	390	390	
TOTAL	1	250	250	1	250	1	375	375	1	390	390	1	390	390	

Narrative Justification:

\$.375 million will be executed in FY 2006 for Fire Engine
 \$.390 million will be executed in FY 2007 for Fire Engine

The current engine/pumpers are near the end of their useful life. Reliability problems exist with the current vehicles. Manufacturer is no longer in business, resulting in long lead time for parts and repairs. The pumps on the current models are too small for proper fire operations, and do not meet National Fire Protection Assoc.1901 safety standards and pose a risk of life hazard.

WASHINGTON HEADQUARTERS SERVICES
Business Area Capital Purchase Justification
FY 2007 Budget Estimates
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(Dollars in Millions)

Changes in Capital Projects from the FY 2006 President's Budget

FY	Approved Project	Reprogs	Approved Proj_Cost	Current Proj_Cost	Asset/Deficiency	Explanation
2006	Equipment ADPE and TELECOM					
2006	Equipment Other Information Management & Force Protection Technology		8.068	1.543	(6.525)	Life cycle replacement equipment purchased in FY 05. Wireless network deferred to offset greater operational costs.
2006	Armored Vehicles		0.175		(0.175)	Deferred due to lack of congressional language
2006	Major Construction Major construction associated with the renovation of the Pentagon Complex		186.000	201.700	15.700	Based on review of current capital requirements
2006	Fire Vehicle		0.375	0.375		
	Total FY 2006		194.618	203.618	9.000	

WASHINGTON HEADQUARTERS SERVICES
Summary of Operations
FY 2007 Budget Estimate
Buildings Maintenance Fund

Activity Group Function:

The Buildings Maintenance Fund (BMF) operates under authority of Section 2208 of Title 10, United States Code. The fund is responsible for providing space, building services and force protection for two federally owned and 28 leased facilities within the National Capital Region (NCR). These facilities are operated by Washington Headquarters Services (WHS) under GSA DoD Interagency Agreements. The BMF is financed by funds collected via a basic service charge. Service above those paid for basic charges are recovered on a reimbursable basis.

Activity Group Composition:

The BMF finances the activities of the Washington Headquarters Services (WHS) and the Pentagon Force Protection Agency in providing space, building services and force protection for Department of Defense (DoD) components including military departments and other activities in DoD delegated buildings within the NCR.

Real Property Operations (RPO): Defense Facilities Directorate is responsible for providing safe and efficient operation and management of all DoD delegated buildings within the NCR. Real Property Operations include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, purchased utilities and administrative support. The scheduled maintenance and day-to-day customer support via these services provides for operational continuity of the customer's mission.

Pentagon Force Protection Agency (PFPA): The Pentagon Force Protection Agency (PFPA) was established by the Deputy Secretary of Defense as a Defense Agency under Title 10 USC 191. The mission of the PFPA is to provide force protection, security, anti-terrorism, law enforcement, and chemical, biological, radiological, and nuclear protection as required for the people, facilities, infrastructure, and other resources within the NCR.

The following table summarizes BMF obligation authority by activity group:

<u>Budget Sub-activity</u>	<u>(Dollars in Millions)</u>		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Real Property Operations	24.2	22.0	22.2
Pentagon Force Protection Agency	<u>28.1</u>	<u>34.4</u>	<u>35.5</u>
Total	52.3	56.4	57.7

Significant Changes in Activity Group:

In FY 2006, WHS delegated leased facilities increased from 26 to 28. The overall office space delegated to WHS within the NCR increased by 327,131 square feet of space to a total of

4,508,700 square feet. The delegation of authority was granted to PFPA in FY 2006 to provide physical security services at 1500 Wilson Boulevard, the Suffolk Building, and the James Polk Building.

Financial Profile:

(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	51.3	54.3	57.7
Expenses	52.3	56.4	57.7
Net Operating Results	-1.0	-2.1	0.0
Disbursements	54.4	55.6	57.2
Collections	44.9	54.3	57.7
Net Outlays	9.5	1.3	-0.5

The variance in Revenue and Expenses in FY 2005 and FY 2006 reflect the financing of BMF initiatives from within existing resources which require no customer funding.

Staffing:

Full Time Equivalents

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Real Property Operations	47	58	58

WASHINGTON HEADQUARTERS SERVICES
Summary of Price, Program and Other Changes - Obligations
FY 2007 Budget Estimates
Buildings Maintenance Fund
February 2006
(Dollars in Millions)

<u>Element of Expense</u>	Cost of	Annualization	<u>Price Growth</u>		Program	Cost of
	<u>Operations</u>	<u>of Pay Raises</u>		<u>Amount</u>	<u>& Other</u>	<u>Operations</u>
	<u>FY 2005</u>				<u>Changes</u>	<u>FY 2006</u>
Civilian Personnel Compensation	3.8	0.0	0.0%	0.0	0.6	4.4
Civilian Personnel Benefits	1.5	0.0	0.0%	0.0	-0.4	1.1
Benefits to Former Employees	0.0	0.0	0.0%	0.0	0.0	0.0
Travel	0.0		0.0%	0.0	0.1	0.1
Transportation	0.0		0.0%	0.0	0.0	0.0
Rent	0.0		0.0%	0.0	0.0	0.0
Communication and Utilities	1.6		0.0%	0.0	-0.5	1.1
Printing	0.0		0.0%	0.0	0.0	0.0
Other Services	39.3		0.0%	0.0	3.3	42.6
Supplies and Materials	3.0		0.0%	0.0	-0.1	2.9
Equipment	3.1		0.0%	0.0	1.0	4.1
Interest & Dividends	0.0		0.0%	0.0	0.0	0.0
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	52.3	0.0		0.0	2.8	56.4

WASHINGTON HEADQUARTERS SERVICES
 Summary of Price, Program and Other Changes - Obligations
 FY 2007 Budget Estimates
 Buildings Maintenance Fund
 February 2006
 (Dollars in Millions)

<u>Element of Expense</u>	Cost of Operations <u>FY 2006</u>	Annualization of Pay Raises	<u>Price Growth</u>		Program & Other Changes	Cost of Operations <u>FY 2007</u>
			%	Amount		
Civilian Personnel Compensation	4.4	0.0	0.0%	0.0	0.1	4.5
Civilian Personnel Benefits	1.1	0.0	0.0%	0.0	0.0	1.1
Benefits to Former Employees	0.0	0.0	0.0%	0.0	0.1	0.1
Travel	0.1		0.0%	0.0	0.0	0.1
Transportation	0.0		0.0%	0.0	0.0	0.0
Rent	0.0		0.0%	0.0	0.0	0.0
Communication and Utilities	1.1		0.0%	0.0	0.0	1.1
Printing	0.0		0.0%	0.0	0.0	0.0
Other Services	42.6		0.0%	0.0	3.3	45.9
Supplies and Materials	2.9		0.0%	0.0	0.5	3.4
Equipment	4.1		0.0%	0.0	-2.6	1.5
Interest & Dividends	0.0		0.0%	0.0	0.0	0.0
TOTAL COST OF OPERATIONS (Includes Above Standard Program)	56.4	0.0		0.0	1.3	57.7

WASHINGTON HEADQUARTERS SERVICES
Changes In Cost Of Operations
FY 2007 Budget Estimates
Buildings Maintenance Fund
February 2006
(Dollars in Millions)

	<u>Expenses</u>
FY 2005 Actual:	52.3
FY 2006 Estimate (FY 2006 President Budget)	56.4
Pricing Adjustments:	
Civilian Pay	0.0
Inflation (All other categories)	1.1
Utilites and Fuel Cost Escalations	0.0
Program Changes:	
Direct Labor	0.1
Increase travel requirements	0.1
Installation of digital cameras and alarms	0.9
Lab analysis increase for additional Dry Filter Units	0.5
VERA/VSIP	-0.4
Reduced reagents and lab supplies	-0.2
One time purchase of access control equipment	-1.3
Contract Services	-0.9
FY 2006 Estimate:	56.3
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	0.0
FY 2007 Civilian Pay Raise	0.0
Inflation (All other categories)	0.0
Utilites and Fuel Cost Escalations	0.0
Program Changes:	
Increase lab analysis and security guard services	2.4
Expanded lab testing and supplies	0.4
Emergency escape mask replacement completed	-2.7
FY 2007 Estimate:	56.4

WASHINGTON HEADQUARTERS SERVICES
Source of New Orders and Revenue
FY 2007 Budget Estimates
Buildings Maintenance Fund
February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. Funded Customer Orders			
a. Rent Orders from DoD Components:			
Department of the Air Force	1.3	1.5	1.6
Department of the Army	15.3	17.1	17.5
Department of the Navy	2.9	3.3	3.3
Subtotal Military Departments	19.5	21.9	22.4
Defense-Wide			
CAAF (CMA)	1.0	1.1	1.1
DCMA	1.5	1.6	1.7
DFAS	0.8	0.9	0.9
DIA	1.5	1.7	1.7
DISA	2.4	2.7	2.9
DLA	1.3	1.4	1.5
DSS	0.3	0.3	0.3
DTRA	2.7	3.0	3.1
WHS	6.5	7.3	7.5
Subtotal Defense-Wide	18.0	20.0	20.7
b. Total Standard Level Rent Orders	37.4	41.9	43.1
c. Other Orders:			
Above Standard Level Services:			
Building Services and Space Adjustments	11.5	10.1	12.1
Force Protection	2.4	2.3	2.5
Subtotal Above Standard Services	13.9	12.4	14.6
Orders Non-DoD Agencies	0.0	0.0	0.0
Total New Orders:	51.3	54.3	57.7

WASHINGTON HEADQUARTERS SERVICES
Revenue and Expenses
FY 2007 Budget Estimates
Buildings Maintenance Fund
February 2006
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue:			
Standard level	37.4	41.9	43.1
Above standard level	<u>13.9</u>	<u>12.4</u>	<u>14.6</u>
Total Revenue	51.3	54.3	57.7
 <u>Standard Level Operating Expenses:</u>			
Real Property Operations:	<u>13.7</u>	<u>9.9</u>	<u>10.2</u>
Cleaning	1.1	1.0	1.1
Utilities & fuel	1.4	1.6	1.7
Maintenance	0.8	0.8	0.8
Other building services	0.3	0.1	0.1
Administration	8.8	6.0	6.1
Repairs (over \$10,000)	0.2	0.4	0.4
Protection	1.1	0.0	0.0
 Pentagon Force Protection Agency:	 25.7	 32.1	 33.0
 <u>Above Standard Reimbursable Expenses:</u>			
Real Property Operations:	<u>10.6</u>	<u>12.1</u>	<u>12.1</u>
Cleaning	0.5	0.5	0.6
Utilities and Fuel	2.0	2.0	2.0
Maintenance	0.5	0.5	0.5
Space adjustments, & other	7.6	9.1	9.0
 Pentagon Force Force Protection	 2.3	 2.3	 2.5
 Total Operating Expenses	 52.3	 56.4	 57.7
 Cost of Services	 52.3	 56.4	 57.7
 Net Operating Result	 0.0	 0.0	 0.0
 Accumulated Operating Result	 0.0	 0.0	 0.0

WASHINGTON HEADQUARTERS SERVICES
 Cost of Basic Services
 FY 2007 Budget Estimates
 Buildings Maintenance Fund
 February 2006

PROGRAM	FY 2005		FY 2006		FY 2007	
	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.	Workload Avg. Sq. Ft.	Cost per Sq. Ft.
Cleaning	881,798	\$1.25	881,798	\$1.13	881,798	\$1.25
Utilities & Fuels	964,331	\$1.45	964,331	\$1.66	964,331	\$1.76
Maintenance	2,175,702	\$0.37	2,175,702	\$0.37	2,175,702	\$0.37
Other Building Services	4,181,569	\$0.07	4,204,537	\$0.02	4,204,537	\$0.02
Administrative	4,181,569	\$2.10	4,508,700	\$1.33	4,508,700	\$1.35
Administrative Cost as Percent of Total Program Cost**		5.4%		5.5%		5.6%

The workload average square footage reflected for real property operation is based upon the execution of non-fully serviced leases at delegated leased facilities; it does not include reimbursable above standard services.

The increase in administrative square footage from FY 2005 to FY 2006 includes the delegation of physical security at the Suffolk Building and the James Polk Building.

The percentage change for Administrative cost as a percentage of total program cost includes the oversight of annual GSA lease cost.

WASHINGTON HEADQUARTERS SERVICES
 Summary Statement
 FY 2007 Budget Estimates
 Buildings Maintenance Fund
 February 2006
 (Dollars in Millions)

	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>Disbursements by Fiscal Year</u>					
					<u>06</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>11</u>
<u>Real Property Operations:</u>										
FY 2005	24.2	21.7	21.7	24.2	4.4	1.5	0.7	0.0	0.0	0.0
FY 2006	22.0	21.0	21.0	22.0	13.2	6.6	1.5	0.7	0.0	0.0
FY 2007	22.2	22.2	22.2	22.2	0.0	13.3	6.7	2.2	0.0	0.0
<u>Pentagon Force Protection Agency:</u>										
FY 2005	28.1	29.6	29.6	28.1	13.6	4.0	1.0	0.0	0.0	0.0
FY 2006	34.4	33.4	33.4	34.4	24.4	5.6	4.4	0.0	0.0	0.0
FY 2007	35.5	35.5	35.5	35.5	0.0	26.2	5.1	4.2	0.0	0.0
<u>Total BMF:</u>										
FY 2005	52.3	51.3	51.3	52.3	18.0	5.5	1.7	0.0	0.0	0.0
FY 2006	56.4	54.3	54.3	56.4	37.6	12.2	5.9	0.7	0.0	0.0
FY 2007	57.7	57.7	57.7	57.7	0.0	39.5	11.8	6.4	0.0	0.0

	<u>Cash:</u>	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>
FY 2005		48.7	44.9	54.4	39.2
FY 2006		39.2	54.3	55.6	39.0
FY 2007		39.0	57.7	57.2	39.5

DEFENSE LOGISTICS AGENCY
National Defense Stockpile Transaction Fund
Defense National Stockpile Center
Fiscal Year (FY) 2007 Budget Estimates
February 2006

The National Defense Stockpile (NDS) operates under the authority of the Strategic and Critical Stock Piling Act (50 U.S.C. §98, et seq.). The Stock Piling Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of a national emergency. The Defense National Stockpile Center (DNSC) administers the acquisition, storage, management, and disposal of the NDS.

Beginning in FY 1993, Congress determined that over 99 percent of the National Defense Stockpile inventory was excess to Department of Defense needs and authorized its disposal. Between 1994 and 2005 DNSC has transferred \$3.7 billion to the General Fund of the Treasury for military benefits and other programs as mandated by Congress.

DNSC Restructuring Plan

As the NDS inventory decreases, DNSC performs any required environmental remediation and returns the property to the owner, generally the General Services Administration. Consistent with its drawdown of inventory and facilities, DNSC has developed a restructuring plan to streamline and transition the workforce to accommodate the decreased sales program. Effective 1 October 2007, DNSC will become a staff office within the Defense Logistics Agency's Defense Enterprise Support (DES) organization.

DNSC Business Operations

The international commodities market fluctuates. For example, in FY 2004 ferromanganese was estimated to sell at \$230 per ton and actually sold as high as \$1,200 per ton. Since then, prices have declined significantly. Tungsten prices have also been subject to significant increases as a result of a shortage of available material. DNSC's sales program is revised periodically to accommodate the market dynamics.

DNSC continues to reduce its number of storage sites. Previously, only the sites with material remaining to be sold were identified. The table below shows the total number of sites that have commodities currently available for sale, commodities under contract or that are awaiting cleanup. At the end of FY 2005 DNSC had 32 storage sites. Projections indicate that DNSC will end FY 2006 with 20 sites. The estimate of the number of storage sites has been updated for FY 2006 through FY 2011 as follows:

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Storage Sites	40	32	20	11	10	9	8	6

Staffing levels continue to remain in line with workload; however, DNSC continues to reevaluate organizational structures for both headquarters and the depots' staffing levels. Temporary and contractor hires are options used in order to address heavier than anticipated workload due to increased sales and delivery activity as well as relocation of material to the consolidation sites.

Sales

The sales plan reflects the six categories of authorized programs. FY 2005 has been updated with actual numbers:

Authorized

- Principal Sales Program
- Foreign Military Sales Program
- Cobalt Post Foreign Military Sales Program
- Treasury and HHS Program
- SPECTRUM/Military Benefits Program
- WWII Memorial & Treasury General Fund Program

<u>Sales (\$ in millions)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Principal Sales Program	\$ 213.9	\$116.0	\$108.0
Foreign Military Sales Program	\$2.9	\$3.2	\$2.1
Cobalt Post Foreign Military Sales	\$37.1	-	-
Treasury & HHS Program	\$81.1	\$31.0	\$88.7
SPECTRUM / Military Benefits Program	\$63.5	\$37.2	\$38.8
WWII Memorial & Treasury General Fund Program	<u>\$33.4</u>	<u>-</u>	<u>-</u>
Total Sales	\$431.9	\$187.4	\$237.6

Payments are summarized in the following chart. See individual program for details. FY 2005 has been updated with actuals.

<u>Payments (\$ in millions)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Foreign Military Sales Program	\$39.4	\$12.1	-
Cobalt Post Foreign Military Sales	\$71.4	\$3.1	-
Treasury & HHS Program	\$50.3	\$67.7	\$32.2
SPECTRUM / Military Benefits Program	\$104.8	\$41.6	\$37.7
WWII Memorial & Treasury General Fund Program	<u>\$57.3</u>	<u>\$20.5</u>	<u>-</u>
Total Payments	\$323.2	\$145.0	\$69.9

During FY 2005, there were two factors that caused changes for sales and payments: (1) The FY 2005 Defense Authorization Act increased the sales authorization for the Treasury and HHS Program by \$100 million through FY 2009, which increased FY 2005 programming by \$45.6 million; (2) DNSC was not granted FY 2004 authorization to pay an additional \$156.4 million in payments. DNSC paid \$114.8 million in FY 2004 payments on March 3, 2005. The balance of \$41.6 million plus the FY 2005 payments of \$166.8 million were paid at the end of FY 2005. DNSC had received additional obligation authority of \$208.4 million for FY 2005 payments.

Principal Sales Program

DNSC's Principal Sales Program consists of disposals of commodities that were considered excess to the needs of the Department of Defense and authorized for sale prior to FY 1996. Subsequent authorization acts that have granted sales authority for other excess commodities have earmarked the proceeds to the other programs listed.

Foreign Military Sales Program

The National Defense Authorization Act for Fiscal Year 1997, P. L. 104-201, authorized additional disposals to offset losses to the U.S. Treasury that would be incurred due to reduced charges to buyers in the Foreign Military Sales (FMS) Program. A provision of the Federal Acquisition and Reform Act (FARA), P. L. 104-106, permits the President to waive charges for non-recurring Research & Development (R&D) and production costs for FMS sales from DoD stocks. This provision was intended to increase FMS sales, increase production quantities, and ultimately to reduce the cost of equipment procured by the Services. The provision required offsetting legislation before costs could be waived. The Stockpile FMS program was to fulfill this requirement by generating anticipated receipts of \$612 million by the end of FY 2006. The National Defense Authorization Act for FY 2000, P. L. 106-65, increased the funds to be paid from \$612 million (previously authorized in P. L. 104-201) to \$720 million.

The sale of materials under this program generated proceeds of \$629.3 million through FY 2005. DNSC anticipates a cumulative total of \$ 641.4 million by the end of FY 2006. The projected payment for FY 2006 is \$12.1 million. Receipts are to be paid from the National Defense Stockpile Transaction Fund (T-Fund) and deposited into the Treasury General Fund as receipts are realized. On March 3, 2005, DNSC paid \$2.9 million in FY 2004 payments leaving a balance of \$30.2 million to pay. DNSC paid the \$30.2 million plus the FY 2005 payment of \$6.3 million to Treasury at the end of the fiscal year.

Cobalt Post Foreign Military Sales Program

The National Defense Authorization Act for FY 1998, P. L. 105-85, authorized sales of the remaining cobalt. The receipts from these sales are to be paid from the T-Fund and deposited into the Treasury General Fund. The National Defense Authorization Act for FY 2000, P. L. 106-65, increased the funds to be paid from \$102 million (previously authorized in P. L. 105-85) to \$235 million. The National Defense Authorization Act for FY 2002, P. L. 107-107, accelerated sales to begin in FY 2002 instead of FY 2003 to avoid potential market disruption.

The sale of material under this program generated proceeds of \$120 million through FY 2005 and will generate an anticipated cumulative total of \$123.1 million by the end of FY 2006. The projection for FY 2006 is \$3.1 million. On March 3, 2005, DNSC paid \$42.7 million completing the FY 2004 payment. DNSC paid \$28.7 million in FY 2005 payments to Treasury at the end of the fiscal year.

Treasury and HHS Sales Program

The National Defense Authorization Act for FY 1999, P.L. 105-261, authorized additional disposals of commodities. The receipts from these sales are to be paid from the T-Fund and deposited into the U.S. Treasury. A portion of the receipts will be paid to the Secretary of Health and Human Services (HHS) to be credited in the manner determined by the Secretary HHS to the Federal Hospital Insurance Fund and the Federal Supplementary Medical Insurance Trust Fund. The National Defense Authorization Act for FY 2001, P. L. 106-398, increased the funds to be paid from \$590 million (previously authorized in P. L. 105-261) to \$720 million for the HHS & Treasury General Fund. The National Defense Authorization Act for FY 2002, P. L. 107-107, increased the funds to be paid from \$720 million (previously authorized in P. L. 106-398) to \$770 million by the end of FY 2006. The National Defense Authorization Act for FY 2005, P. L. 108-375, further increased the funds to be paid to \$870 million by the end of FY 2009. The National Defense Authorization Act for FY 2006, P. L. 109-163, increased the funds to be paid to \$1 billion by the end of FY 2013.

The sale of material under this program generated proceeds of \$799.2 million through September 2005 and will generate an anticipated cumulative total of \$1 billion by the end of FY 2013. Projections indicate that DNSC will pay \$67.7 million during FY 2006 and \$32.2 million in FY 2007. On March 3, 2005, DNSC transferred \$17.1 million completing the FY 2004 payments. The FY 2005 payments of \$33.1 million were made at the end of the fiscal year to Treasury.

SPECTRUM/Military Benefits Sales Program

The National Defense Authorization Act for Fiscal Year 2000, P. L. 106-65, authorized additional sales of commodities through the end of FY 2009. The National Defense Authorization Act for FY 2004, P. L. 108-136, increased the funds to be paid from \$300 million to \$450 million by the end of FY 2013. The National Defense Authorization Act for FY 2006, P. L. 109-163, increased the funds to be paid from \$450 million to \$600 million by the end of FY 2013.

The sale of material under this program generated proceeds of \$404.6 million through FY 2005, and will generate an anticipated cumulative total of \$600 million by the end of FY 2013. Projections indicate that DNSC will pay \$41.6 million during FY 2006 and \$37.7 million in FY 2007. On March 3, 2005, DNSC transferred \$49.1 million completing the FY 2004 payments. The FY 2005 payment of \$55.6 million was made at the end of the fiscal year to the Treasury.

WWII Memorial & Treasury General Fund Program

The National Defense Authorization Act for FY 2001, P. L. 106-398, authorized the sale of 30,000 short tons of titanium by September 30, 2010. Proceeds of \$6 million were paid to the American Battle Monuments Commission for the World War II Memorial. The remaining proceeds were to be deposited into the General Treasury as Miscellaneous Receipts. Sales of titanium were completed during FY 2005.

The sale of material under this program generated proceeds of \$122.8 million through FY 2005 and is anticipated to generate a cumulative total of \$143.3 million by end of FY 2006. Projections indicate that DNSC will pay \$20.5 million by the end of FY 2006. On March 3, 2005, DNSC paid \$2.9 million in FY 2004 payments leaving a balance of \$11.4 million. DNSC paid the \$11.4 million plus the FY 2005 payments of \$43 million to the Treasury at the end of FY 2005.

Authorization for additional sales

In addition to the sales previously discussed, the Department will propose, as part of the FY 2007 Defense Authorization request, legislation to permit the sale of the remaining government-owned industrial commodities in the National Defense Stockpile that are not needed for national defense requirements. This would be accomplished by raising the authorized dollar threshold for the sale of specific commodities. Absent this, sales of specific commodities would have to halt once the authorized dollar threshold for sales of those commodities had been reached. These sales are expected to result in mandatory sales receipts of about \$347 million in the next ten years. Receipts from these additional sales would be deposited in the Treasury for deficit reduction.

Receipts from Additional Sales, FY 2007 Defense Authorization Proposal

<u>\$ in millions</u>									
FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
0.7	49.5	72.2	80.0	95.8	31.8	12.2	2.7	1.9	0.5

Budget Highlights

Operations Obligations:

Highlights (<u>\$ in millions</u>)	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Labor	\$12.3	\$12.6	\$14.7
Non-Labor	\$27.1	\$33.0	\$26.1
Rent	\$8.6	\$10.9	\$5.1
Depot Operations	\$9.0	\$5.2	\$4.4
Real Property Maintenance	\$0.8	\$1.8	\$1.7
Environmental	\$12.0	\$6.5	\$11.0

Labor

DNSC has implemented its 2005 Restructuring Plan and is scheduled to reduce end-strength from 128 to 43 by the end of FY 2007; while FTEs will not show a significant change (137 to 130) in FY 2007, reductions by the end of FY 2008 (129 to 48) will be significant. The impending decrease in staff may result in a Reduction-in-Force (RIF) if adequate reductions are not achieved through attrition. Accordingly, the FY 2007 labor costs are increased due to possible RIF, Voluntary Early Retirement Authority/Voluntary Separation Incentive Pay, accrued leave, and severance pay. On September 30, 2007, DNSC will cease to exist as a field activity under DES and will become Stockpile Operations, DES-O. At that point, DNSC will

have an additional 22 embedded DLA positions comprised of employees assigned support services, such as financial services and computer support.

Non-Labor

Rent requirements have been updated since the FY 2006 President's Budget submission. In the FY 2006 President's Budget, rent requirements were based on projected sales without consideration for removal, remediation or restoration periods.

Rent requirements have been updated to consider actual removal dates of sold materials plus one full year for remediation and restoration at all occupied sites. Budget requirements for FY 2006 and beyond have been adjusted to reflect those costs.

Environmental

As DNSC is vacating storage sites, it is performing environmental assessments to determine the extent of any required remediation. Studies have been performed in order to determine the extent and nature of contamination and the best approach for remediation. Cleanup costs are estimated by DLA using RACER, a computer-based costing model. Based on these studies and cost estimates, the environmental liability for cleaning up the remaining DNSC sites is estimated to be \$48.7 million. Contaminated sites must be cleaned up prior to closure and cleanup actions are being coordinated with depot closure plans to minimize disruption to sales and depot operations.

One significant environmental issue is the disposition of DNSC's sizeable inventory of mercury. In order to determine the best approach, DNSC completed an Environmental Impact Statement. The resulting decision, released in March 2004, was to continue to store the mercury at one consolidated location. Subsequently, the DNSC mercury stored at the Department of Energy facility at Oak Ridge, Tennessee was transported to DNSC's Depot at Warren, Ohio. All mercury is now stored on DNSC depots and efforts to identify a suitable consolidated storage location are continuing.

Another significant effort is the decontamination and decommissioning of former thorium nitrate storage sites. Thorium nitrate is a low-level radioactive material that was previously stored at the Curtis Bay, Maryland and the Hammond, Indiana depots. Cleanup is closely coordinated with the Nuclear Regulatory Commission. The FY 2007 budget includes \$3 million for decontamination at Curtis Bay, and \$1 million for decontamination at Hammond.

DEFENSE LOGISTICS AGENCY
Transaction Fund
National Defense Stockpile Center
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Stockpile Financial Status Report
February 2006
(Dollars in Million)

	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
Treasury Cash Balance, End of Prior Year	1169.9	1224.1	1250.1
Collections	440.1	209.7	296.6
Disbursements	<u>62.7</u>	<u>38.7</u>	<u>55.3</u>
Labor	12.3	12.6	14.7
Non-Labor	50.4	26.1	40.6
<u>Payments:</u>			
FMS	39.4	12.1	0.0
Treasury (HHS)	50.3	67.7	32.2
Cobalt TGF	71.4	3.1	0.0
Treasury (Spectrum)	104.8	41.6	37.7
WWII Memorial	<u>57.3</u>	<u>20.5</u>	<u>0.0</u>
Total Payments	323.2	145.0	69.9
Selected Liabilities			
Accounts Payable	19.0	16.5	16.5
Accrued Liabilities	2.6	2.6	2.6
Advances Received	10.3	11.0	11.0
Other Liabilities			
Environmental Clean-up Liability	48.7	6.1	10.7
Undelivered Orders	38.3	38.3	38.3
Cash Balance	1224.1	1250.1	1421.5
Available Cash	1105.2	1175.6	1342.4

DEFENSE LOGISTICS AGENCY
Transaction Fund
Defense National Stockpile Center
Fiscal Year (FY) 2007 Budget Estimates
February 2006
Statement of Financial Condition
(\$M)

	FY 2005	FY 2006	FY 2007
ASSETS:			
Selected Assets:			
Cash	1169.9	1131.8	1119.2
Accounts Receivable	6.9	5.6	5.6
Inventories	1341.0	1153.5	980.9
TOTAL ASSETS	2517.8	2290.9	2105.7
LIABILITIES			
Selected Liabilities:			
Accounts Payable	19.0	6.5	6.5
Accrued Liabilities	2.6	2.6	2.6
Advances Received	10.3	11.0	11.0
Environmental Liability	48.7	6.1	10.7
Undelivered Orders	38.3	38.3	38.3
TOTAL LIABILITIES	118.9	64.5	69.1
GOVERNMENT EQUITY			
Cumulative Results of Operations	2398.9	2226.4	2036.6
TOTAL NET POSITION	2398.9	2226.4	2036.6
TOTAL LIABILITIES AND EQUITY	2517.8	2290.9	2105.7

**Conventional Ammunition Working Capital Fund
Fiscal Year (FY) 2007 Budget Estimates
February 2006**

Effective September 30, 1998, the Conventional Ammunition Working Capital Fund (CAWCF) stopped accepting new orders for the procurement of conventional ammunition. However, the Fund remains open through September 2007 to complete residual functions. These include the 1) closeout of all financial records; and 2) disposal of CAWCF-owned inventory, material, and supplies.

1. Closeout of Financial Records

The CAWCF does not have any unresolved litigation or other contract negotiation concerns at this time. All orders placed in FY 1998 and prior years were closed in accordance with applicable Financial Management Regulations.

The CAWCF bills Foreign Military Sales (FMS) orders at actual cost. Fifty-two FMS orders require funding adjustment. Thirty-five were completed in FY 2005. The CAWCF expects to complete the remaining seventeen orders by the end of FY 2006.

2. Disposal of Materials and Supplies

CAWCF-owned material currently on-hand includes both industrial stock and inventory. This material will either be transferred to a storage activity or disposed of properly. The total estimated cost of transfer and/or proper disposal is \$17.1 million at the following locations:

<u>(\$ in millions)</u>	
<u>Location</u>	<u>Cost Estimate</u>
Crane Army Ammunition Activity	0.6
Kansas Army Ammunition Plant	0.5
Lonestar Army Ammunition Plant	2.5
Milan Army Ammunition Plant	4.6
Pine Bluff Arsenal	6.3
Radford Army Ammunition Plant	0.1
Red River Army Depot	<u>2.5</u>
Total	17.1

**FINANCIAL POSITION
As of 30 Sep 2005**

The CAWCF has sufficient cash to meet all currently known and estimated requirements and requires no additional funding. Projected cash disbursements include payments for production contracts, disposal of materials and supplies, and administrative close-out costs. The cash spend-out plan through the end of FY 2007 is shown below. The FY 2006 net outlays include disbursements, deobligations, Lake City billings for Workers Compensation Liabilities, and refunds to FMS customers. Any remaining cash after final close out (currently projected to be

\$19.6 million) will be returned to the Treasury unless otherwise directed by the Office of the Under Secretary of Defense (Comptroller).

<u>Cash Spend-out Plan (\$ Millions)</u>		
Cash Balance as of September 30, 2005		\$41.2
FY 2006 Net Outlays	-17.0	
FY 2007 Net Outlays	<u>-4.6</u>	<u>-21.6</u>
Estimated Cash Position at Closure		\$19.6

The CAWCF could incur additional obligations if unforeseen litigation, settlements, and/or problems with disposal of CAWCF-owned supplies and materials occur. Deobligations will occur in FY 2006 as production contracts are completed and closed out. Disbursements will occur as the Defense Finance and Accounting Service makes the necessary accounting entries to account for payments of contract production and disposal costs. In the obligation plan below, positive numbers increase total unliquidated obligations (ULO) and negative numbers (such as deobligations and disbursements) decrease total unliquidated obligations (ULO). By the end of FY 2007, all unliquidated obligations (those not disbursed or deobligated) are expected to be zero.

<u>Obligation Plan (\$ Millions)</u>		
ULO Balance as of September 30, 2005		\$19.6
FY 2006 Obligations	\$11.6	
FY 2006 Deobligations	-\$5.5	
FY 2006 Disbursements	<u>-\$21.1</u>	
ULO Balance as of September 30, 2006		\$4.6
FY 2007 Obligations	\$0.0	
FY 2007 Deobligations	\$0.0	
FY 2007 Disbursements	<u>-\$4.6</u>	
ULO Balance as of September 30, 2007		\$0.0