

DEPARTMENT OF THE NAVY
FISCAL YEAR (FY) 2009
BUDGET ESTIMATES



JUSTIFICATION OF ESTIMATES
FEBRUARY 2008

NAVY WORKING CAPITAL FUND

NAVY WORKING CAPITAL FUND (NWCF)

NWCF activities provide a wide range of goods and services to support the Department's ongoing operations to maintain overall military readiness and in support of the Global War on Terrorism (GWOT). There are five NWCF activity groups: Supply Management, Depot Maintenance, Research and Development, Base Support, and Transportation. The total annual cost of goods and services to be delivered by NWCF activity groups to their customers in FY 2008 and FY 2009 is projected to exceed \$24 billion. No major changes to the business base are expected in FY 2009 over FY 2008 levels.

Supply Management performs inventory management functions that result in the sale of aviation and shipboard components, ship's store stock, and consumables to a wide variety of customers. Costs related to supplying this material to the customer are recouped through stabilized rate recovery elements such as prior year gains and losses, inventory maintenance, repair costs including attrition, and local elements. Ensuring the right material is provided at the proper place, time, and cost is vital to equipping and sustaining our warfighting units. To this end, the Department continues to pursue initiatives to control costs and improve readiness.

A principal source of readiness for U.S. Naval and Marine Corps forces, Supply Management delivers logistics programs in areas of supply operations, contracting, resale, transportation, ordnance, food service, and other quality of life programs. Customer demand remains strong. The Marine Corps is leading a joint program for procurement of spares for the Mine Resistant Ambush Protection (MRAP) vehicles while also supporting increased customer provisioning and replenishment spares requirements for other systems.

The Navy Enterprise Resource Planning initiative is the DON's business initiative to standardize business processes, integrate operations, and optimize management of resources. Navy ERP is scheduled to roll-out to the Navy Supply in FY 2010 and will provide better tools to assess program costs and implement cost reducing procedures. These efforts, along with reducing weapon systems average age, will stem spare parts demand growth and allow the Navy to provide improved logistics support at lower cost.

Depot Maintenance provides maintenance, engineering, and logistics support to ensure a core industrial resource base essential for mobilization and includes naval aviation depots, Marine Corps depots for ground combat support equipment, and naval shipyards prior to FY 2007.

The Naval Aviation Depots (NADEPs) are continuing their vital support for the GWOT including efforts such as repair of crash damaged aircraft and the reactivation of "mothballed" helicopters to replace others lost in Southwest Asia. The NADEPs are also working to shape their workforce to better match the expected workload during the budget years and are beginning the process of merging into the overall Fleet Readiness Center (FRC) organization. Under the FRC concept, some of the component repair that has traditionally been performed at the three NADEP locations will instead be done at the naval air stations where intermediate level maintenance is currently performed. Some NADEP artisans will be relocated to the air stations but no change in their status under the NWCF organizational and financial structures is currently anticipated.

The Marine Corps Depots experienced a large influx of GWOT related workload for performance in FY 2007. This was largely due to repair of combat-damaged equipment and weapons systems, and the installation of armor plating on combat vehicles. GWOT related workload is expected to continue through FY 2009.

Norfolk and Portsmouth Naval Shipyards were realigned to mission funding beginning in FY 2007. The Puget Sound mission-funded pilot prototype was also made permanent. Shipyard NWCF budget estimates reflect residual NWCF workload that was inducted at the shipyards prior to their transfer to mission funding. Residual NWCF workload is expected to be completed by FY 2008.

Research and Development includes the Warfare Centers (Air, Sea, Undersea, and Space applications) and the Naval Research Laboratory. All of these activities provide research and development for warfare systems, engineering support for major weapons systems acquisition programs, or provide scientific research for improving materials, facilities, and services to the DON. Workload at the R&D activities remains robust and relatively constant between FY 2008 and FY 2009, in excess of \$10 billion annually.

- Space and Naval Warfare System Centers provide fleet support for command, control, and communication systems, and ocean surveillance, and the integration of those systems that overarch platforms.
- Naval Air Warfare Centers provide fleet support for naval aircraft engines, avionics, aircraft support systems and ship/shore/air operations.
- Naval Surface Warfare Centers provide fleet support for hull, mechanical, and electrical systems, surface combat systems, coastal warfare systems, and other offensive and defensive systems associated with surface warfare.
- Naval Undersea Warfare Centers provide fleet support for submarines, autonomous underwater systems, and offensive and defensive systems associated with undersea warfare.

- Naval Research Laboratory operates as the DoN's full spectrum corporate laboratory, conducting a broadly based multidisciplinary program of scientific research and advanced technological development directed toward maritime applications of new and improved materials, techniques, equipment, systems, and ocean, atmospheric, and space sciences and related technologies

The Base Support business area is comprised of the Facilities Engineering Commands (FECs) and the Naval Facilities Engineering Service Center (NFESC). The FECs (formerly known as Public Works Centers) provide base support to customers in the areas of utilities, facilities maintenance, and special projects. NFESC is a DON-wide technical center delivering quality products and services in energy and utilities, amphibious and expeditionary systems, environment, shore, ocean, and waterfront facilities.

Transportation is comprised of the Military Sealift Command (MSC) which supports the Fleets, Naval Sea Systems Command, Space and Naval Warfare Systems Command, Strategic Systems Programs, and the Air Force with unique vessels and programs. The three programs budgeted by MSC through the NWCF are: 1) Naval Fleet Auxiliary Force which provides support utilizing civilian mariner manned non-combatant ships for material support and ocean going tugs and salvage ships; 2) Special Mission Ships which provide unique seagoing platforms, operation of Navy Command Ships, and contracted Harbor Tugs; and 3) Afloat Prepositioning Force Navy which deploys advance material for strategic lifts for the Marine Expeditionary Forces. Transportation rates within the Military Sealift Command reflect the full implementation of peacetime force protection costs and cost containment measures to ensure more efficient operations.

The Department's goal is to maintain the cash balance in the seven to ten day range based on the average daily expenditure rate plus a six month projection of outlays to procure capital investments. The NWCF cash balance tends to trend toward the lower end of the cash goal in FY 2009. This trend is due primarily to the cumulative effect of prior congressional actions, return of excess accumulated operating results (AOR) due to prior year gains, and conservative cash projections due to business impacts in the budget year.

(Dollars in millions)

<u>Revenue</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	5,594.8	5,784.9	5,875.1
Supply - Marine Corps	164.8	140.4	138.7
Depot Maintenance - Ships	686.8	41.3	0.0
Depot Maintenance - Aircraft	1,970.2	1,942.4	1,982.5
Depot Maintenance - Marine Corps	469.9	411.5	379.7
R&D - Air Warfare Center	2,956.7	2,933.6	3,001.1
R&D - Surface Warfare Center	3,570.3	3,492.0	3,545.6
R&D - Undersea Warfare Center	1,068.3	1,095.6	1,088.6
R&D - SPAWAR Systems Center	2,299.6	2,127.9	1,925.3
R&D - Naval Research Laboratory	628.7	647.4	662.9
Transportation - MSC	2,291.3	2,438.6	2,348.9
Base Support - FECs	2,270.6	2,579.1	2,683.3
Base Support - NFESC	99.2	101.2	101.5
Totals	24,071.1	23,735.9	23,733.2

Cost of Goods Sold: (Operating)

Total obligations for supply functions and cost of good and services sold for industrial functions are as follows:

(Dollars in millions)

<u>Operating Costs</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	5,509.1	6,531.0	6,670.1
Supply - Marine Corps	133.4	179.8	158.7
Depot Maintenance - Ships	726.8	42.9	0.0
Depot Maintenance - Aircraft	2,000.2	1,939.7	1,951.5
Depot Maintenance - Marine Corps	479.5	431.8	393.5
R&D - Air Warfare Center	2,964.7	2,925.5	3,028.9
R&D - Surface Warfare Center	3,566.8	3,489.2	3,562.2
R&D - Undersea Warfare Center	1,060.2	1,100.7	1,093.7
R&D - SPAWAR Systems Center	2,313.4	2,133.9	1,909.9
R&D - Naval Research Laboratory	618.8	659.0	673.5
Transportation - MSC	2,274.7	2,521.4	2,537.7
Base Support - FECs	2,308.0	2,589.6	2,648.9
Base Support - NFESC	104.5	101.2	102.3
Totals	24,060.3	24,645.6	24,731.0

Net Operating Results:

Revenue, excluding surcharge collections and extraordinary expenses, less the cost of goods and services sold to customers is as follows:

(Dollars in millions)

<u>Net Operating Results</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	-0.9	1.3	-1.7
Supply - Marine Corps	-9.9	-1.0	4.0
Depot Maintenance - Ships	-40.1	134.8	0.0
Depot Maintenance - Aircraft	-30.0	2.8	31.0
Depot Maintenance - Marine Corps	-9.7	-20.2	-13.9
R&D - Air Warfare Center	-7.9	8.1	-27.8
R&D - Surface Warfare Center	3.5	2.8	-16.6
R&D - Undersea Warfare Center	8.1	-5.1	-5.2
R&D - SPAWAR Systems Center	-13.8	-6.0	15.4
R&D - Naval Research Laboratory	6.9	-11.6	-10.6
Transportation - MSC	16.6	-82.9	-188.8
Base Support - FECs	-37.4	-10.5	34.4
Base Support - NFESC	-5.3	0.0	-0.8
Totals	-119.9	12.5	-180.4

(Dollars in millions)

<u>Accumulated Operating Results</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	0.4	1.7	0.0
Supply - Marine Corps	-3.0	-4.0	0.0
Depot Maintenance - Ships	-134.8	0.0	0.0
Depot Maintenance - Aircraft	-33.8	-31.0	0.0
Depot Maintenance - Marine Corps	34.1	13.9	0.0
R&D - Air Warfare Center	19.7	27.8	0.0
R&D - Surface Warfare Center	13.8	16.6	0.0
R&D - Undersea Warfare Center	10.2	5.2	0.0
R&D - SPAWAR Systems Center	-9.4	-15.4	0.0
R&D - Naval Research Laboratory	22.2	10.6	0.0
Transportation - MSC	271.6	188.8	0.0
Base Support - FECs	-23.9	-34.4	0.0
Base Support - NFESC	0.8	0.8	0.0
Totals	167.9	180.4	0.0

Workload:

Workload projections for NWCF activities are consistent with Navy force structure and attendant support levels as well as those factors unique to each group. The table below displays year-to-year percentage changes in transportation ship days for MSC, changes in program costs for Base Support – PWC, and change in direct labor hours for all other industrial activity groups. For supply business areas, workload changes are indicated by gross sales:

<u>Workload</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	3.8%	3.2%
Supply - Marine Corps	7.8%	-1.4%
Depot Maintenance - Ships	na	na
Depot Maintenance - Aircraft	-3.4%	-2.2%
Depot Maintenance - Marine Corps	-18.2%	-15.3%
R&D - Air Warfare Center	2.0%	-3.5%
R&D - Surface Warfare Center	-1.6%	-2.6%
R&D - Undersea Warfare Center	-4.0%	-1.7%
R&D - SPAWAR Systems Center	0.4%	-3.1%
R&D - Naval Research Laboratory	6.0%	-0.4%
Transportation - MSC	4.9%	1.8%
Base Support - FECs	12.2%	2.3%
Base Support - NFESC	-2.9%	-0.1%

Treasury Cash Balance:

(Dollars in millions)

<u>Treasury Cash</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Beginning Cash Balance	1,244.5	1,156.4	937.7
Collections	23,779.6	23,882.5	23,698.3
Disbursements	23,995.0	24,062.2	23,831.3
Supplemental Appropriations			
Fuel	112.4	0.0	0.0
MSC Capital Hire Purchases	-101.0	-53.0	-16.6
Inventory Augmentation	83.5	14.0	0.0
War Reserve Material	32.4	0.0	0.0
Ending Cash Balance	1,156.4	937.7	788.1

Customer Rate Changes:

Approved composite rate changes from FY 2006 to FY 2007 and from FY 2007 to FY 2008 are displayed below. Proposed composite rate changes FY 2008 to FY 2009 (designed to achieve an accumulated operating result of zero) are as follows:

	(Percent Change)		
<u>Customer Rate Change</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply:			
Navy - Aviation Consumables	1.2%	6.3%	1.7%
Navy - Shipboard Consumables	3.8%	4.2%	1.2%
Navy - Aviation Repairables	2.2%	1.9%	1.9%
Navy - Shipboard Repairables	3.8%	4.2%	1.2%
MARCORPS Repairables	-13.0%	18.7%	8.0%
Depot Maintenance - Ships	na	na	na
Depot Maintenance - Aircraft	4.8%	2.5%	7.8%
Depot Maintenance - Marine Corps	-3.3%	3.1%	5.7%
R&D - Air Warfare Center	3.4%	1.4%	4.2%
R&D - Surface Warfare Center	3.5%	1.8%	2.9%
R&D - Undersea Warfare Center	3.5%	2.2%	2.8%
R&D - SPAWAR Systems Center	3.5%	2.7%	6.8%
R&D - Naval Research Laboratory	4.1%	2.3%	3.8%
Transportation - MSC			
Fleet Auxiliary	2.7%	8.7%	2.6%
Special Mission Ships	13.6%	-3.4%	18.7%
Afloat Prepositioning Ships	-29.5%	42.9%	-33.1%
Base Support - FECs			
East Coast Utilities	15.4%	6.0%	9.7%
East Coast - Other	3.6%	5.2%	3.2%
West Coast Utilities	3.2%	8.5%	6.2%
West Coast - Other	1.7%	4.2%	0.3%
Base Support - NFESC	-0.6%	6.8%	1.5%

Unit Costs:

Unit Cost is the method established to authorize and control costs. Unit cost goals allow activities to respond to workload changes in execution by encouraging reduced costs when workload declines and allowing appropriate increases in costs when their customers request additional services.

<u>Unit Cost</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy (cost per unit of sales ¹):			
Wholesale	0.95	1.00	0.99
Retail	0.95	1.00	1.00
Supply - Marine Corps (cost per unit of sales ¹):			
Wholesale	1.20	0.73	0.87
Retail	0.97	0.94	0.93
Depot Maintenance - Ships (\$/Direct Labor Hour ²)	na	na	na
Depot Maintenance - Aircraft (\$/Direct Labor Hour)	171.72	172.61	177.82
Depot Maintenance - Marine Corps (\$/Direct Labor Hour)	122.54	135.02	145.33
R&D - Air Warfare Center (\$/Direct Labor Hour ²)	87.35	83.76	90.73
R&D - Surface Warfare Center (\$/Direct Labor Hour ²)	90.65	92.34	96.55
R&D - Undersea Warfare Center (\$/Direct Labor Hour ²)	92.41	96.10	99.72
R&D - SPAWAR Systems Center (\$/Direct Labor Hour ²)	95.09	95.84	103.56
R&D - Naval Research Laboratory (\$/Direct Labor Hour ²)	123.28	123.88	127.44
Transportation - MSC			
Fleet Auxiliary (\$/day) (\$000)	88.909	87.145	94.298
Special Mission Ships (\$/day) (\$000)	15.701	19.370	21.671
Afloat Prepositioning Ships (\$/day) (\$000)	71.276	87.383	77.534
Base Support - FECs Cost of Services	various	various	various
Base Support - NFESC (\$/direct Labor Hour ²)	98.07	98.58	98.25

¹ *excludes inventory augmentation and war reserve material obligations*

² *includes direct labor plus overhead costs*

Staffing:

Total civilian and military personnel employed at NWCF activities are displayed in the following tables.

(Strength in Whole Numbers)

<u>Civilian End Strength</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	7,743	7,718	7,718
Supply - Marine Corps	24	24	24
Depot Maintenance - Ships	0	0	0
Depot Maintenance - Aircraft	9,381	9,401	8,990
Depot Maintenance - Marine Corps	2,063	1,992	1,899
R&D - Air Warfare Center	10,057	10,103	10,034
R&D - Surface Warfare Center	13,954	13,777	13,378
R&D - Undersea Warfare Center	3,945	3,795	3,708
R&D - SPAWAR Systems Center	6,131	6,129	5,990
R&D - Naval Research Laboratory	2,357	2,503	2,503
Transportation - MSC	5,796	6,256	6,135
Base Support - FECs	8,711	9,214	9,233
Base Support - NFESC	369	374	374
Totals	70,531	71,286	69,986

(Workyears in Whole Numbers)

<u>Civilian Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	7,768	7,713	7,713
Supply - Marine Corps	24	24	24
Depot Maintenance - Ships	0	0	0
Depot Maintenance - Aircraft	9,466	9,485	9,151
Depot Maintenance - Marine Corps	2,086	2,012	1,908
R&D - Air Warfare Center	9,774	10,011	9,914
R&D - Surface Warfare Center	14,077	13,870	13,570
R&D - Undersea Warfare Center	3,981	3,789	3,723
R&D - SPAWAR Systems Center	5,966	6,084	5,948
R&D - Naval Research Laboratory	2,301	2,402	2,402
Transportation - MSC	7,459	7,807	7,821
Base Support - FECs	8,458	9,203	9,234
Base Support - NFESC	361	374	374
Totals	71,721	72,774	71,782

(Strength in Whole Numbers)

<u>Military End Strength</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	369	369	369
Supply - Marine Corps	0	0	0
Depot Maintenance - Ships	0	0	0
Depot Maintenance - Aircraft	110	126	126
Depot Maintenance - Marine Corps	12	13	13
R&D - Air Warfare Center	211	198	198
R&D - Surface Warfare Center	293	279	275
R&D - Undersea Warfare Center	44	43	43
R&D - SPAWAR Systems Center	90	96	96
R&D - Naval Research Laboratory	82	72	72
Transportation - MSC	456	555	374
Base Support - FECs	78	78	78
Base Support - NFESC	3	3	3
Totals	1,748	1,832	1,647

(Workyears in Whole Numbers)

<u>Military Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	376	376	376
Supply - Marine Corps	0	0	0
Depot Maintenance - Ships	0	0	0
Depot Maintenance - Aircraft	95	121	121
Depot Maintenance - Marine Corps	3	13	13
R&D - Air Warfare Center	164	134	149
R&D - Surface Warfare Center	205	239	236
R&D - Undersea Warfare Center	38	37	37
R&D - SPAWAR Systems Center	75	78	78
R&D - Naval Research Laboratory	76	66	55
Transportation - MSC	477	542	371
Base Support - FECs	76	78	78
Base Support - NFESC	3	3	3
Totals	1,588	1,687	1,517

Performance Budgeting. The NWCF utilizes a wide range of cascading performance information in support of a broad spectrum of financial and program performance metrics employed in the Department of Defense. By its very nature as a revolving fund, the NWCF budget can be viewed as a performance budget that routinely identifies the full cost of specific business activity (such as Naval Aviation Depots or Supply Management) including identification of all financing sources to meet customer driven workload. As such, performance indicators (financial and programmatic) listed throughout the NWCF justification book, as well as the myriad of performance information contained in the various appropriation justification books, support the hierarchical composition starting with the Department of the Navy Balanced Scorecard, and merging with the DoD Balanced Scorecard, the OMB Program Assessment Rating Tool (PART), and culminating with the President’s Management Agenda. Key financial/program indicators include: Net Operating Result (NOR), Accumulated Operating Result (AOR), Sources of Revenue, NWCF Cash, Manpower Staffing, Unit Cost, Cost of Goods Sold, and Capital Investment Program.

<u>Key NWCF Performance Integration:</u>				
	<u>DON</u> <u>Scorecard</u>	<u>DoD</u> <u>Scorecard</u>	<u>OMB</u> <u>PART</u>	<u>President’s</u> <u>Mgmt Agenda</u>
Naval Aviation Depots:	Combat Capability	Operational Risk	Aircraft Maintenance	Budget Integration
Marine Corps Depots:	Combat Capability	Operational Risk	Depot Maintenance	Budget Integration
R&D Warfare Centers:	Tech Insertion	Future Challenges	Multiple R&D	Budget Integration
Military Sealift:	Combat Capability	Operational Risk	Ship Operations	Budget Integration
Facilities Engineering:	Improved Business	Institutional Risk	Base Support	Budget Integration
Supply Management:	Combat Capability	Operational Risk	Spares & Repair Parts	Budget Integration

In accordance with the President’s Management Agenda, Budget and Performance Integration initiative, these programs will be assessed using the Program Assessment Rating Tool (PART). Remarks regarding program performance improvement can be located at the Expectmore.gov website.

(Dollars in Millions)

<u>Capital Purchase Program</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Supply - Navy	8.2	14.7	10.2
Supply - Marine Corps	0.0	0.0	0.0
Depot Maintenance - Ships	na	na	na
Depot Maintenance - Aircraft	38.9	43.1	40.8
Depot Maintenance - Marine Corps	4.0	5.1	4.9
R&D - Air Warfare Center	31.6	37.4	34.3
R&D - Surface Warfare Center	30.0	33.0	30.6
R&D - Undersea Warfare Center	15.9	15.4	15.6
R&D - SPAWAR Systems Center	8.9	8.7	7.9
R&D - Naval Research Laboratory	14.4	12.9	14.1
Transportation - MSC	12.0	14.4	14.3
Base Support - FECs	14.9	16.0	16.1
Base Support - NFESC	0.0	0.0	0.0
Totals	178.8	200.6	188.9
Equipment (Non-ADPE/Telecom)	84.3	104.3	94.9
ADPE and Telecommunications			
Equip	37.8	37.0	32.7
Software Development	23.0	24.7	18.7
Minor Construction	33.7	34.6	42.6
Totals	178.7	200.6	188.9

Depot Maintenance – Six Percent Capital Investment Plan

**Navy Working Capital Fund (NWCF)
Depot Maintenance – Six Percent Capital Investment Plan
Dollars in Millions**

	<u>Revenue</u>			<u>Budgeted Capital</u>			<u>Percent of Revenue</u>		
	<u>3-Year Average</u>			<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
	<u>04-06</u>	<u>05-07</u>	<u>06-08</u>				<u>4%</u>	<u>5%</u>	<u>6%</u>
Revenue									
Working Capital Fund	2,397.4	2,361.1	2,379.5	88.5	86.0	102.5			
Appropriations	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>						
Total Revenue	2,397.4	2,361.1	2,379.5				95.9	118.1	142.8
 Working Capital Fund Depot Maintenance Investment									
WCF Capital Investment Program				43.1	48.2	45.7			
Sustainment, Restoration and Modernization				37.0	30.4	31.7			
DLA/Army/Air Force Fund Equipment				<u>8.4</u>	<u>7.4</u>	<u>8.2</u>			
Total WCF Investment				88.5	86.0	85.7			
 Appropriated Funding									
MILCON				0.0	0.0	16.8			
 Component Total				88.5	86.0	102.5			

The table above reflects data for two NWCF activity groups: the Naval Aviation Depots and the Marine Corps Depots. The six percent threshold is applicable at the Department of the Navy level, to include both NWCF and appropriated fund (shipyard) activities.

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NAVAL SHIPYARDS

Naval Shipyards

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
DEPOT MAINTENANCE - NAVAL SHIPYARDS**

ACTIVITY GROUP FUNCTION:

Naval Shipyards provide logistics support for assigned ships and service craft; perform authorized work in connection with construction, overhaul, repair, alteration, drydocking and outfitting of ships and craft as assigned; perform design, manufacturing, refit and restoration, research, development and test work, and provide services and material to other activities and units as directed by competent authority.

ACTIVITY GROUP COMPOSITION:

On 1 October 2006, Portsmouth and Norfolk Naval Shipyards transferred to mission funding as Atlantic Fleet activities. All four public shipyards (Portsmouth Naval Shipyard, Norfolk Naval Shipyard, Puget Sound Naval Shipyard / Intermediate Maintenance Facility) and Pearl Harbor Naval Shipyard / Intermediate Maintenance Facility) are mission funded for fiscal years 2007 through 2009. The costs reflected in this Navy Working Capital Fund (NWCF) submission are residual NWCF costs.

OVERVIEW FOR NAVAL SHIPYARDS:

Estimated revenue, costs, and operating results are:

Financial Profile:

<u>Revenue/Expense/Operating Results (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$686.7	\$41.3	\$0.0
Cost of Goods and Services	\$726.8	\$42.9	\$0.0
Operating Results	-\$40.1	-\$1.5	\$0.0
Other Changes Affecting AOR	-\$0.4	+\$136.3	\$0.0
Accumulated Operating Results (AOR)	-\$134.8	\$0.0	\$0.0

Revenue/Expense/Operating Results

This budget reflects actual FY 2007 residual NWCF costs of \$726.8 million, and estimated costs of \$42.9 million and \$0.0 million in FY 2008, and FY 2009, respectively for work that was funded and inducted at Portsmouth Naval Shipyard and Norfolk Naval Shipyard prior to FY 2007.

FY 2007 net operating results of -\$40.1 million are \$38.0 million below the estimate in the FY 2008 President's Budget. Fixed price losses at Norfolk Naval Shipyard, primarily for the SSBN 729 USS GEORGIA FY 05 Extended Refueling Overhaul (~ -\$32 million) and the SSN 766 USS CHARLOTTE FY 05 Depot Maintenance Period (~ -\$9 million), are the main reasons for the variance.

DEPARTMENT OF THE NAVY
DEPOT MAINTENANCE / SHIPYARDS
REVENUE AND EXPENSE
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
DATE: FEBRUARY 2008
DOLLARS IN MILLIONS

	FY 2007 CON	FY 2008 CON	FY 2009 CON
Revenue:			
Gross Sales			
Operations	686.8	41.3	.0
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	.0	.0	.0
Other Income			
Total Income	686.8	41.3	.0
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	.0	.0	.0
Civilian Personnel	.5	.0	.0
Travel and Transportation of Personnel	8.0	.0	.0
Material & Supplies (Internal Operations	70.3	.0	.0
Equipment	.0	.0	.0
Other Purchases from NWC	.0	.0	.0
Transportation of Things	.0	.0	.0
Depreciation - Capital	.0	.0	.0
Printing and Reproduction	.0	.0	.0
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	.0	.0	.0
Other Purchased Services	633.1	34.1	.0
Total Expenses	711.9	34.1	.0
Work in Process Adjustment	15.7	8.7	.0
Comp Work for Activity Retention Adjustment	-.8	.0	.0
Cost of Goods Sold	726.8	42.9	.0
Operating Result	-40.1	-1.5	.0
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	136.3	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-40.1	134.8	.0
Other Changes Affecting AOR	-.4	.0	.0
Accumulated Operating Result	-134.8	.0	.0

Exhibit Fund-14 Revenue and Expenses

Activity Group Capital Investment Summary
Component: Department of the Navy
Activity Group: Depot Maintenance - Shipyards
Fiscal Year (FY) 2009 Budget Estimates

February 2008
(\$ in Millions)

Line Num	Description	FY 2007		FY 2008		FY 2009	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
1.0	Non ADP						
	Replacement		-		-		-
	Productivity		-		-		-
	New Mission		-		-		-
	Environmental		-		-		-
	Non ADP Total:		-		-		-
2.0	ADP						
	Hardware		-		-		-
	Telecommunications Equip.		-		-		-
	Other Support Equip.		-		-		-
	ADP Total:		-		-		-
3.0	Software						
	Software Projects > \$1.000M		-		-		-
	Software Projects < \$1.000M		-		-		-

Activity Group Capital Investment Summary
Component: Department of the Navy
Activity Group: Depot Maintenance - Shipyards
Fiscal Year (FY) 2009 Budget Estimates

February 2008 (\$ in Millions)							
Line Num	Description	FY 2007		FY 2008		FY 2009	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	Software Total:		-		-		-
4.0	Minor Construction						
	Replacement		-		-		-
	Productivity		-		-		-
	New Mission		-		-		-
	Environmental		-		-		-
	Minor Construction Total:		-		-		-
	Grand Total:		-		-		-
	Total Capital Outlays:		28.2		10.6		6.9
	Total Depreciation Expense:		-		-		-

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NAVAL AVIATION DEPOTS

Naval Aviation Depots

FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
NARRATIVE SUMMARY OF OPERATIONS
ACTIVITY GROUP: DEPOT MAINTENANCE AVIATION
NAVAL AIR DEPOT (NAVAIRDEPOTS)
February 2008

ACTIVITY GROUP FUNCTION

To provide responsive worldwide maintenance, engineering, and logistics support to the Naval Aviation Enterprise. The Naval Air Depots (NAVAIRDEPOTS) ensure a core industrial resource base essential for mobilization; repair aircraft, engines, and components, and manufacture parts and assemblies; provide engineering services in the development of hardware design changes, and furnish technical and other professional services on maintenance and logistics problems.

ACTIVITY GROUP COMPOSITION

<u>Activities</u>	<u>Location</u>
NAVAIRDEPOT, Cherry Point	Cherry Point, NC
NAVAIRDEPOT, Jacksonville	Jacksonville, FL
NAVAIRDEPOT, North Island	San Diego, CA

BUDGET HIGHLIGHTS

General

The NAVAIRDEPOTS provide significant support to Fleet operations by overhauling and repairing a wide range of equipment and components. Their efforts include important workload related to the Global War on Terrorism (GWOT) such as the repair of crash damaged AV-8B and F/A-18 aircraft. The NAVAIRDEPOTS are also restoring “mothballed” CH-53 helicopters to operational status.

FY 2007 Net Operating Results (NOR) were -\$30.0 million, a variance of \$34.5 million from the FY 2008 President’s Budget that occurred primarily due to increased costs of aircraft repair and overhaul. The NAVAIRDEPOTS have been budgeted to have a positive NOR of \$2.8 million in FY 2008, which is consistent with the estimate in the FY2008 President’s Budget. In FY 2009 \$31.0 million is the budgeted NOR.

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
NARRATIVE SUMMARY OF OPERATIONS
ACTIVITY GROUP: DEPOT MAINTENANCE AVIATION
NAVAL AIR DEPOT (NAVAIRDEPOTS)
February 2008**

<u>Summary of Operations- Open NAVAIRDEPOTS</u>	<u>(\$ in Millions)</u>		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Orders	2,098.6	1,751.4	1,943.6
Revenue	1,970.2	1,942.4	1,982.5
Cost of Goods and Services	2,000.2	1,939.7	1,951.5
Revenue less Costs (NOR)	-30.0	2.8	31.0
Transfers	1.9	0.0	0.0
Total Fiscal Year Change AOR	-28.1	2.8	31.0
Accumulated Operating Result (AOR)	-33.8	-31.0	0.0

Orders. New reimbursable orders for FY 2007, FY 2008, and FY 2009 are \$2,098 million, \$1,751 million, and \$1,943 million respectively. FY 2007 new reimbursable orders include the receipt of Supplemental funding. FY 2008 and FY 2009 New Reimbursable Orders have decreased \$37.6 million and increased \$178.1 million from the FY 2008 President's Budget mainly attributed to the Components program.

Revenue. Revenue is \$1,970 million for FY 2007, \$1,942 million for FY 2008, and \$1,983 million for FY 2009.

Costs. Cost of Operations is \$2,000 million in FY 2007, \$1,940 million in FY 2008, and \$1,952 million in FY 2009.

Revenue less cost. Revenue less cost for FY 2007, FY 2008, and FY 2009 is -\$30.0 million, \$2.8 million, and \$31.0 million, respectively.

Net Cash Outlays.

	(In millions)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	\$1,954.4	\$1,927.4	\$1,966.5
Disbursements	\$1,931.8	\$1,961.3	\$1,933.0
Net Outlays	-\$22.6	\$33.9	\$-33.5

Stabilized Customer Rates.

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Composite Hourly Rate	\$174.96	\$179.40	\$193.44
Percent Year to Year Change	4.8%	2.5%	7.8%

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
NARRATIVE SUMMARY OF OPERATIONS
ACTIVITY GROUP: DEPOT MAINTENANCE AVIATION
NAVAL AIR DEPOT (NAVAIRDEPOTS)
February 2008**

Unit Cost Goals. The budget reflects the following FY 2007-2009 unit cost goals:

(\$ and DLHs in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Operating Cost	\$1,994.73	\$1,937.40	\$1,952.49
Direct Labor Hours (DLH)	11.616	11.224	10.980
Unit Cost	\$171.72	\$172.61	\$177.82
% Change Workload/DLHs		-3.4%	-2.2%
% Change Unit Cost		0.5%	3.0%

DLH includes direct labor hours worked by civilian, contractors, and military personnel.

SUMMARY OF PERSONNEL RESOURCES

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian Personnel:			
End Strength	9,381	9,401	8,990
FTE Workyears	9,466	9,485	9,151
Military Personnel:			
End Strength	110	126	126
Workyears	95	121	121
Contractor Personnel:			
Workyears	856	1,178	1,329

The NAVAIRDEPOTS budget reflects civilian workforce levels necessary to accommodate firm workload without the use of excessive overtime. The NAVAIRDEPOTS are using an aggressive VSIP strategy to assist in shaping the workforce. Contract personnel are used by the NAVAIRDEPOTS to address perturbations in workload. The purpose of the workforce shaping efforts are to increase the agility of the Naval Aviation Depot Enterprise to better manage demand fluctuations.

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
NARRATIVE SUMMARY OF OPERATIONS
ACTIVITY GROUP: DEPOT MAINTENANCE AVIATION
NAVAL AIR DEPOT (NAVAIRDEPOTS)
February 2008**

SUMMARY OF WORKLOAD INDICATORS:

	(Inducted Units)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
AIRFRAMES	<u>569</u>	<u>518</u>	<u>541</u>
O&M,N	510	448	478
O&M,NR	49	62	47
RDT&E	6	5	13
Other	4	3	3
ENGINES	<u>1,204</u>	<u>1,114</u>	<u>1,313</u>
O&M,N	1,120	1,064	1,261
O&M,NR	27	9	16
RDT&E	15	15	12
Other	42	26	24

PERFORMANCE INDICATORS:

	<u>Goal</u>	<u>FY2007</u>	<u>(Units)</u> <u>FY2008</u>	<u>FY2009</u>
Aircraft Scheduled		586	561	551
Aircraft Completed on Time		527	505	496
% Scheduled Work Completed on Time	90%	90%	90%	90%
Components Scheduled		66,060	54,098	53,737
Components Completed on Time		62,757	51,393	51,050
% Scheduled Work Completed on Time	95%	95%	95%	95%
Engines Scheduled		1,437	1,132	1,318
Engines Completed on Time		1,293	1,019	1,186
% Scheduled Work Completed on Time	90%	90%	90%	90%

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
NARRATIVE SUMMARY OF OPERATIONS
ACTIVITY GROUP: DEPOT MAINTENANCE AVIATION
NAVAL AIR DEPOT (NAVAIRDEPOTS)
February 2008**

SUMMARY OF CAPITAL INVESTMENT PROGRAM (CIP).

	(\$ in Millions)		
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment-non ADPE &TELECOM	25.549	27.958	25.613
Equipment-ADPE &TELECOM	4.234	5.832	5.520
Software Development	5.174	3.400	3.000
Minor Construction	3.917	5.895	6.702
Total	\$38.874	\$43.085	\$40.835

CARRYOVER

The NAVAIRDEPOTS are above the outlay-based carryover ceiling for FY 2007 due to GWOT related workload. FY 2008 and FY 2009 are below the ceiling.

	(Dollars in Millions)		
Depot Maintenance - Aircraft	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
New Orders	\$2,098.6	\$1,751.4	\$1,943.6
Less Exclusions:			
Foreign Military Sales	\$35.6	\$27.7	\$28.2
Base Realignment & Closure	\$3.3	\$2.7	\$2.7
Other Federal Depts & Agencies	\$1.3	\$5.8	\$6.0
Non-Federal & Others	\$65.3	\$88.8	\$82.0
Major Range & Test Facility Base	\$0.0	\$0	\$0.0
Orders for Carryover Calculation	\$1,993.0	\$1,626.5	\$1,824.8
Composite Outlay Rate	67.9%	66.4%	67.0%
Carryover Ceiling Rate	32.0%	33.6%	32.9%
Carryover Ceiling	\$639.3	\$546.8	\$601.3
Balance of Customer Orders at Yr End	\$812.9	\$621.8	\$583.0
Less WIP	\$27.1	\$24.7	\$25.7
Less Exclusions:			
Foreign Military Sales	\$28.0	\$24.8	\$24.8
Base Realignment & Closure	\$2.5	\$3.1	\$3.1
Other Federal Depts & Agencies	\$13.0	\$3.9	\$1.3
Non-Federal & Others	\$20.2	\$22.3	\$18.8
Major Range & Test Facility Base	\$0.0	\$0.0	\$0.0
Carryover Budget	\$722.1	\$543.1	\$509.2

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Revenue and Expenses
Activity: Naval Air Depots
February 2008
(\$ in Millions)

	FY 2007 CCN	FY 2008 CCN	FY 2009 CCN
Revenue:			
Gross Sales			
Operations	1,926.9	1,898.5	1,939.5
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	43.3	43.9	42.9
Other Income			
Total Income	1,970.2	1,942.4	1,982.5
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	9.1	9.4	9.7
Civilian Personnel	781.7	803.5	792.6
Travel and Transportation of Personnel	21.0	20.4	21.6
Material & Supplies (Internal Operations	521.2	566.0	565.6
Equipment	288.7	204.7	209.9
Other Purchases from NWCF	16.1	14.7	14.7
Transportation of Things	2.9	3.2	3.4
Depreciation - Capital	43.2	43.9	42.9
Printing and Reproduction	2.5	2.5	2.5
Advisory and Assistance Services	10.5	.1	.1
Rent, Communication & Utilities	38.2	42.6	42.8
Other Purchased Services	259.7	226.5	246.7
Total Expenses	1,994.7	1,937.4	1,952.5
Work in Process Adjustment	13.5	2.3	-1.0
Comp Work for Activity Reten Adjustment	-8.1	.0	.0
Cost of Goods Sold	2,000.2	1,939.7	1,951.5
Operating Result	-30.0	2.8	31.0
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-30.0	2.8	31.0
Other Changes Affecting AOR	1.9	.0	.0
Accumulated Operating Result	-33.8	-31.0	.0

Fiscal Year (FY) 2009 Budget Estimates
 Navy Working Capital Fund
 Source of Revenue
 Activity: Naval Air Depots
 February 2008

	FY 2007 CON -----	FY 2008 CON -----	FY 2009 CON -----
1. New Orders	2,099	1,751	1,944
a. Orders from DoD Components	1,320	1,033	1,187
Department of the Navy	1,289	999	1,156
O & M, Navy	999	701	850
O & M, Marine Corps	0	0	0
O & M, Navy Reserve	50	57	52
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	213	217	219
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	0	1	1
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	25	22	32
Military Construction, Navy	0	0	0
National Defense Sealift Fund	0	0	0
Other Navy Appropriations	0	0	1
Other Marine Corps Appropriations	0	0	0
Department of the Army	1	1	1
Army Operation & Maintenance	1	1	1
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	24	24	23
Air Force Operation & Maintenance	21	22	21
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	3	2	2
Air Force Other	0	0	0
DOD Appropriation Accounts	7	8	7
Base Closure & Realignment	3	3	3
Operation & Maintenance Accounts	2	4	2
Res, Dev, Test & Eval Accounts	1	2	1
Procurement Accounts	1	0	0
Defense Emergency Relief Fund	0	0	0
DCD Other	0	0	0
b. Orders from other WCF Activity Groups	676	596	640
c. Total DoD	1,996	1,629	1,827
d. Other Orders	102	122	116
Other Federal Agencies	1	6	6
Foreign Military Sales	36	28	28
Non Federal Agencies	65	89	82

Fiscal Year (FY) 2009 Budget Estimates
 Navy Working Capital Fund
 Source of Revenue
 Activity: Naval Air Depots
 February 2008

	FY 2007 CON -----	FY 2008 CON -----	FY 2009 CON -----
2. Carry-In Orders	685	813	622
3. Total Gross Orders	2,783	2,564	2,565
a. Funded Carry-Over before Exclusions	813	622	583
b. Total Gross Sales	1,970	1,942	1,982
4. End of Year Work-In-Process (-)	-27	-25	-26
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-64	-54	-48
6. Net Funded Carryover	722	543	509

Note: Line 4 (End of Year Work-In-Process)
 Is adjusted for Non-DoD, BRAC & FMS
 and Institutional MRIFB

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Changes in the Cost of Operations
Activity Group: Naval Air Depot (NAVAIRDEPOTS)
Date: February 2008
Dollars in Millions

	Total Costs
FY 2007 Actuals	1,994.7
FY 2008 President's Budget	1,829.7
Pricing Adjustments:	3.1
Annualization of Pay Raises	0.0
Civilian Personnel	0.0
Military Personnel	0.0
Pay Raise	2.4
Civilian Personnel	2.4
Military Personnel	0.0
Fuel Changes	2.2
Material/Supplies/Equipment	-0.3
Intrafund	0.0
Travel/Transportation	0.0
Other Purchases	-1.2
Efficiency Initiatives	-2.4
Program Changes:	99.6
Airframes work	30.1
Engines work	13.9
Components work	38.6
Other Support work	11.3
Modification work	5.8
Logistics/Engineering work	-0.1
Other Changes	7.4
Depreciation	1.0
FECA	-0.9
Aircraft Rework by Contract	2.3
Facility Maintenance	2.2
DISA Megacenter	0.5
Equipment Maintenance	1.1
Other	1.2
FY 2008 Estimate:	1,937.4

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Changes in the Cost of Operations
Activity Group: Naval Air Depot (NAVAIRDEPOTS)
Date: February 2008
Dollars in Millions

	Total Costs
FY 2008 Estimate:	1,937.4
Pricing Adjustments:	43.1
Annualization of Pay Raises	7.4
Civilian Personnel	7.3
Military Personnel	0.1
Pay Raise	16.9
Civilian Personnel	16.7
Military Personnel	0.2
Fuel Changes	-2.4
Material/Supplies/Equipment	14.3
Intrafund	1.9
Travel/Transportation	0.2
Other Purchases	4.8
 Productivity Initiatives	 0.0
 Program Changes:	 -27.1
Airframes work	-38.0
Engines work	10.4
Components work	-6.9
Other Support work	4.2
Modification work	3.1
Logistics/Engineering work	0.1
 Other Changes	 -0.9
Depreciation	-0.9
One Less Paid Day	-3.1
FECA	0.3
Other	2.8
 FY 2009 Estimate:	 1,952.5

Activity Group Capital Investment Summary
 Department of the Navy
 NADEPS
 FY09 PRES BUDGET
 \$ in Millions

Line #	Description	FY 2007		FY 2008		FY 2009	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE and Telecom Equipment - Replacement Capability - Productivity Capability - New Mission Capability - Environmental Capability	42	25.549	46	27.458	42	24.563
2	ADPE and Telecom Equipment - Computer Hardware (Production) - Computer Software (Operating) - Telecommunications - Other Computer & Telecom Spt Equip	1	0.347	3	1.618	3	1.260
		3	3.887	4	4.214	3	4.260
3	Software Development - Projects = or > \$1M (List Separately) - Projects < \$1M	6	4.200	3	3.000	3	3.000
		3	0.974	1	0.400		
4	Minor Construction - Replacement Capability - Productivity Capability - New Mission Capability - Environmental Capability	7	3.792	11	3.795	12	4.602
		2	0.125	9	2.100	9	2.100
	Grand Total	64	\$38.874	79	\$43.085	75	\$40.835
	Total Capital Outlays		\$25.215		\$48.303		\$33.166
	Total Depreciation Expense		\$43.250		\$43.900		\$42.934

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES					
Department of the Navy / Naval Air Systems Command		FY 2009 PRES BUDGET				Naval Air Depots	
#001 - Non-ADPE and Telecommunications / Replacement Capabilities		FY 2007		FY 2008		FY 2009	
		Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost
Non-ADPE and Telecommunications Equipment		42	25,549	46	27,458	42	24,563
Replacement Equipment		42	25,549	46	27,458	42	24,563
Total		42	25,549	46	27,458	42	24,563
Justification:							
<p>1) The existing equipment allows the three Naval Air Depots to achieve our mission by performing routine and emergency maintenance, repair, and modifications for Navy and Marine aircraft, and associated systems and components. Aircraft supported include the F/A 18 Hornet, E-2C Hawkeye, C-2A Greyhound, S-3 Viking, P-3 Orion, H-53 Sea Stallion, SH-60 Seahawk, EA-6B Prowler, UH-1N Huey, AH-1 Super Cobra, AV-8B Harrier and the CH-46 Sea Knight.</p> <p>2) The proposed capital investments maintain the Depot's equipment infrastructure by replacing existing plant equipment that has reached the end of their economic life due to age and wear. This equipment includes such items as lathes, mills, test stands, fixtures, grinders, laboratory and production test equipment, paint equipment, furnaces, autoclaves, cleaning and plating equipment and foundry equipment. Replacement of this equipment will continue to maintain the Depot's infrastructure and their capability to achieve their individual missions.</p> <p>3) Economic analyses have been performed.</p> <p>4) There are no savings or cost avoidances. The new equipment directly replaces old, worn out, existing equipment required to maintain the depots infrastructure.</p> <p>5) If the equipment is not replaced the Naval Air Depots would lose the capability to perform their mission.</p>							

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES			
(\$ in Thousands)		FY 2009 PRES BUDGET		Naval Air Depots	
#001 - Non-ADPE and Telecommunications / <i>New Mission Capabilities</i>		FY 2007		FY 2008	
		Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost
Non-ADPE and Telecommunications Equipment					
<i>New Mission Equipment</i>					
Total					
Justification:					
<p>1) The existing equipment allows the three Naval Air Depots to achieve our mission by performing routine and emergency maintenance, repair, and modifications for Navy and Marine aircraft, and associated systems and components. Aircraft supported include the F/A 18 Hornet, E-2C Hawkeye, C-2A Greyhound, S-3 Viking, P-3 Orion, H-53 Sea Stallion, SH-60 Seahawk, EA-6B Prowler, UH-1N Huey, AH-1 Super Cobra, AV-8B Harrier and the CH-46 Sea Knight.</p> <p>2) The new equipment will provide new capability and capacity that cannot be met with current equipment and facilities. Additional cranes will be added to work areas and new storage areas to provide workers with the basic equipment needed to perform their tasks. Powder coating will be added to improve the paint shops capacity. A closed circuit security system is inadequate and will be upgraded.</p> <p>3) Economic analyses have been performed.</p> <p>4) There are no cost savings or avoidances as the projects are based upon capability or capacity requirements, not dollar savings.</p> <p>5) If the projects are not implemented, the depot's capability and capacity will be restricted resulting in longer turn-around-times to provide aircraft and parts to the fleet.</p>					

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES			
Department of the Navy / Naval Air Systems Command		FY 2009 PRES BUDGET		Naval Air Depots	
#002 - ADPE and Telecommunications Capabilities		FY 2007		FY 2008	
		Quant	Total Cost	Quant	Total Cost
		Unit Cost		Unit Cost	
ADPE and Telecommunications Equipment					
Computer Hardware (Production)		1	347	3	1,618
Computer Software (Operating System)		3	1,296	4	4,214
Other Computer & Telecommunications Spt Equipment		4	1,643	7	5,832
Total					
Justification:		<p>ROJECTS ABOVE \$1M: (ALL in OTHER EQUIPMENT category)</p> <p>FY07</p> <p>1. DEFENSE MAINTENANCE SYSTEM HARDWARE UPGRADE \$1.500M CHERRY POINT</p> <p>1) The existing system provides Data Management (DM) services to the depot.</p> <p>2) The purpose of project is to phase the upgrade of the DM high capacity server systems with higher speed processors and to increase the memory, disk space, and storage space.</p> <p>3) An economic analysis has been performed.</p> <p>4) A cost avoidance of \$575,661 per year will begin in FY08.</p> <p>5) If not acquired, the systems will become overloaded and reach critical capacity rendering them unable to handle the volumes of data from a variety of DM applications.</p> <p>2. SYSTEM HARDWARE SWITCH \$1.485M JACKSONVILLE</p> <p>1) The existing system provides telephone and voice messaging to Building 101.</p> <p>2) This proposed telephone switch will provide NADEP Jax Building 101 with a homogenous telephone system sized to serve the entire building, will provide voice messaging to all phones, and will be capable of transition into IP telephony.</p> <p>3) An economic analysis has been performed.</p> <p>4) A savings of \$21,750 and cost avoidance of \$547,000 per year will begin in FY08.</p> <p>5) If not acquired, existing equipment will no longer be supportable. Vendors currently providing remanufactured parts will stop providing this service in the near future when it becomes unprofitable (system is too old). Phone services will be diminished critically below current levels and would impact efficiency of all day-to-day operations.</p>			

FY08

1. WEB SERVER CONSOLIDATION (CARZ)

- 1) The existing system provides Data Management (DM) services to the depot.
- 2) The purpose of the project is to reduce the Navy's Information Technology (IT) footprint as mandated by Cyber Asset Reduction condition Zebra (CARZ).
- 3) An economic analysis has not been performed. This is a mandated project.
- 4) Cost savings has not been determined.
- 5) If not acquired, the mandated project will not be executed.

2. DEFENSE MAINTENANCE SYSTEM UPGRADE PHASE II \$1.51M CHERRY POINT

- 1) The existing system provides Data Management (DM) services to the depot.
- 2) The purpose of project is to phase the upgrade of the DM high capacity server systems with higher speed processors and to increase the memory, disk space, and storage space.
- 3) An economic analysis has been performed.
- 4) There will be no cost savings or avoidances. There is no alternative but to upgrade the equipment.
- 5) If not acquired, the systems will become overloaded and reach critical capacity rendering them unable to handle the volumes of data from a variety of DM applications.

FY09

1. DEFENSE MAINTENANCE SYSTEM UPGRADE PHASE III \$1.51M CHERRY POINT

- 1) The existing system provides Data Management (DM) services to the depot.
- 2) The purpose of project is to phase the upgrade of the DM high capacity server systems with higher speed processors and to increase the memory, disk space, and storage space.
- 3) An economic analysis has been performed.
- 4) There will be no cost savings or avoidances. There is no alternative but to upgrade the equipment.
- 5) If not acquired, the systems will become overloaded and reach critical capacity rendering them unable to handle the volumes of data from a variety of DM applications.

2. UPGRADE UNIX SERVER #2 \$1.5M NORTH ISLAND

- 1) The existing system provides DM services to the depot.
- 2) This project will replace the Central Processing Unit (CPU) and memory boards on the RP8400 servers which will stabilize the computer environment, increase processing power, and refresh servers that have reached end-of-life.
- 3) An economic analysis has been performed.
- 4) There will be no cost savings or avoidances. There is no alternative but to upgrade the equipment.
- 5) If not acquired, there will be increased maintenance and server downtime which will have an adverse effect on F/A-18 C/D and E/F aircraft.

3. STORAGE ARRAY EXPANSION \$1.25M NORTH ISLAND

- 1) The existing equipment provides inventory and labor management data to the depot.
- 2) This project will increase the storage array by 23 terabytes.
- 3) An economic analysis has been performed.
- 4) There will be no cost savings or avoidances. There is no alternative but to increase the storage capacity.
- 5) If not acquired, important DM systems will not function properly.

COMPUTER SOFTWARE (OPERATING SYSTEM)

- 1) The existing software provides various data management services to the depot.
- 2) The subject projects will provide a complete enterprise monitoring solution for the DM system and also provide a means to track and document internal audits within the Depot.
- 3) Economic analyses have been performed.
- 4) There are no cost savings or avoidances associated with these projects.
- 5) If not implemented, the Depot will be greatly restricted in its DM operations.

OTHER COMPUTER & TELECOMMUNICATION SUPPORT EQUIPMENT

- 1) The existing equipment provides various telecommunications and DM services throughout the depots.
- 2) The subject projects will provide enhancements to various business process applications, enhancements to the automated storage system, and connection of telecommunications equipment to newly constructed facilities.
- 3) Economic analyses have been performed to determine the least costly methods.
- 4) A savings of \$29,760 per year will begin in FY09 and cost avoidance of \$463,365 per year will begin in FY08.
- 5) If not implemented, the depot will experience diminished DM and communication capabilities which will have a detrimental effect on day to day operations.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FY 2009 PRES BUDGET		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES			
Department of the Navy / Naval Air Systems Command		#003 - Software (SUPPLY TRANSFORMATION, PHASE II)		Naval Air Depots			
		FY 2007		FY 2008		FY 2009	
Software		Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost
SUPPLY TRANSFORMATION, PHASE II		3	733				
TOTAL		3	733				

Justification:

The existing system provides Navy Depot Management Systems (NDMS) for the depots. This project will implement additional Commercial-Off-The-Shelf (COTS) modules for the NDMS Program Application Suite. Functionality enhancements include improved system and material availability for the depot, increased accuracy of material demand forecasts, and also serves to benefit the Functional Area Manager (FAM) software application footprint reduction. An Economic Analysis has been performed. Projected savings (\$781,000) and cost avoidances (\$1.44M) will begin in FY09. Denial of the Supply Transformation effort will adversely impact Depot operations for material requirements limiting the ability to plan, schedule and execute Maintenance Repair & Overhaul (MRO), thereby negatively impacting availability of assets to the fleet. The system delivery date is Mid-2008. This is not a spiral development, it is COTS. The software is Externally developed. license fees are not applicable, purchased with FY06 CPP funds.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FY 2009 PRES BUDGET		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES					
Department of the Navy / Naval Air Systems Command		#003 - Software (INTERMEDIATE & DEPOT INTEGRATION)		Naval Air Depots					
				FY 2007		FY 2008		FY 2009	
				Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost
Software		3	667	2,000					
INTERMEDIATE & DEPOT INTEGRATION		3	667	2,000					
TOTAL									

Justification:

The existing system provides Navy Depot Management Systems (NDMS) for the depots. This project will implement end-to-end integration of Organizational, Intermediate, & Depot (O, I, & D) level maintenance management information systems. Integration from all three levels of maintenance will provide enhanced logistics information, production planning accuracy, and root cause analysis of maintenance problems. An Economic Analysis has been performed. The total combined Phase I and Phase II project is expected to show savings of \$349,376 and cost avoidance of \$107,503 per year to begin in FY10. Denial of the I&D Integration effort would negatively affect the ability to successfully integrate the Intermediate and Depot level activities and systems, reducing targeted efficiencies. Integration is expected to be completed by end of FY09. This project is not a spiral development.

The software is Internally developed with contractor support services. There are no applicable license fees for this project.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION **FISCAL YEAR (FY) 2009 BUDGET ESTIMATES**

(\$ in Thousands) **FY 2009 PRES BUDGET**

Department of the Navy / Naval Air Systems Command #003 - Software (I & D INTEGRATION, PHASE II) Naval Air Depots

	FY 2007		FY 2008		FY 2009	
	Quant	Total Cost	Quant	Total Cost	Quant	Total Cost
Software			3	3,000	3	3,000
I & D INTEGRATION, PHASE II			3	3,000	3	3,000
TOTAL			3	3,000	3	3,000

Justification:

The existing system provides Navy Depot Management Systems (NDMS) for the depots. This project supports Depot migration toward a single set of Business Rules and Processes and continues the effort to support, interface, and merge the Depot level management information systems into a comprehensive Naval Aviation Enterprise (NAE) maintenance and repair solution. An economic analysis has been performed. The total combined Phase I and Phase II project is expected to show savings of \$349,376 and cost avoidance of \$107,503 per year to begin in FY10. Denial of this effort will impact the ability of the NAE community to make time-critical supply chain management and production decisions resulting in aircraft entering a Not Mission Capable Maintenance/Supply (NMCM/NMCS) status. Integration is expected to be completed by end of FY09. This project is not a spiral development. The software is Internally developed with contractor support services. There are no applicable license fees.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES						
Department of the Navy / Naval Air Systems Command		FY 2009 PRES BUDGET		Naval Air Depots				
		#003 - Software (Various Projects < \$1M)						
		FY 2007		FY 2008		FY 2009		
		Quant	Unit Cost	Quant	Unit Cost	Quant	Unit Cost	Total Cost
Software								
<i>Various Projects < \$1M</i>		3	325	1	400			400
TOTAL		3	325	1	400			400
Justification:								
<p>The existing systems provide financial reporting information for the depots, but is a combination of various different applications at each depot. This makes it extremely difficult to generate the common reports needed to assess the financial health of the enterprise. This project will upgrade the current systems to deploy the Corporate Automated Financial Information System (CAFIS) to all 3 depots which will standardize the A-11 planning and execution budget processes. An Economic Analysis has not been performed. This project has been mandated by management. Projected savings and/or cost avoidances have not been calculated. Denial of this effort will adversely impact the reporting of financial information to the Commander Naval Air Forces (CNAF) Command. The projected system delivery date is 1st/2nd quarter FY09. This project is not a spiral development. The software is a combination of internally and externally developed. Separately identify license fees are not applicable, purchased with FY06 CPP funds.</p>								

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES					
(\$ in Thousands)		FY 2009 PRES BUDGET		FY 2009			
Department of the Navy / Naval Air System Command		#004 - Minor Construction		Naval Air Depots			
		FY 2007		FY 2008		FY 2009	
		Quant	Total	Quant	Total	Quant	Total
		Unit	Cost	Unit	Cost	Unit	Cost
Minor Construction							
Replacement		7	542	11	345	12	384
Productivity			3,792		3,795		4,602
New Mission		2	169	9	233	9	233
Environmental			125		2,100		2,100
Total		9	435	20	5,895	21	6,702
Justification:							
<p>1) The existing facilities allows the three Naval Air Depots to achieve our mission by performing routine and emergency maintenance, repair, and modifications for Navy and Marine aircraft, and associated systems and components. Aircraft supported include the F/A 18 Hornet, E-2C Hawkeye, C-2A Greyhound, S-3 Viking, P-3 Orion, H-53 Sea Stallion, SH-60 Seahawk, EA-6B Prowler, UH-1N Huey, AH-1 Super Cobra, AV-8B Harrier and the CH-46 Sea Knight.</p> <p>2) New minor construction projects will allow the Naval Air Depots to design, construct, upgrade, restore, and replace the facilities and structures that are required to achieve their mission. No project is greater than the \$750,000 maximum threshold.</p> <p>3) Economic analyses were performed to determine the least costly method to achieve the desired results.</p> <p>4) No cost avoidance or savings were estimated. Minor construction projects provide the facilities in which work is to be performed, not to provide savings.</p> <p>5) If minor projects are not approved the facilities will deteriorate and adversely affect mission achievement.d-9B must contain a statement that no minor construction project exceeds the current MILCON threshold.</p>							

FY 2009 DON BUDGET SUBMISSION
DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE - AVIATION DEPOTS
CAPITAL BUDGET EXECUTION
(DOLLARS IN MILLIONS)
FY 2008

ITEM LINE #	ITEM DESCRIPTION	Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
	1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)					
6 DF 7 EL 0236 P R	X-RAY EQUIPMENT UPGRADE	0.015	.000	0.015		
6 DF 7 EL 0085 P R	HYDROGEN FLUORIDE FURNACE REPLACEMENT	0.015	.000	0.015		
6 DF 7 EL 0325 P R	ELECTRONIC SECURITY & ALARM CONTROL CENTER SYSTEM UPGR	0.015	.000	0.015		
6 DF 7 EL 0231 P R	AIR TURBINE STARTER TEST CELL REPLACEMENT	0.015	.000	0.015		
6 DC 7 EL 0570 P R	UPGRADE WHIRL TOWER INSTALLATION	0.200	.000	0.200		
6 DF 8 EL 0225 P R	UPGRADE T400 TEST CELL #6	2.400	.000	2.400		
6 DF 8 EL 0092 P R	REPLACE WHIRLTOWER ROTOR HEAD	2.200	.000	2.200		
6 DF 8 EL 0207 P R	REPLACE TEST CELL DATA ACQUISITION SYSTEM	1.940	.000	1.940		
6 DE 8 EL 0454 P R	REPLACE VACUUM FURNACE	1.800	.000	1.800		
6 DC 8 EL 0599 P R	REPLACE AUTOMATIC WIRE ANALYZER TEST SYSTEM	1.750	(1.750)	0.000	Cancellation	NAVAIR Program Management Activity (PMA) will fund this project to establish capability.
6 DC 8 EL 0595 P R	UPGRADE TEST CELL #20 CONTROL SYSTEM	1.700	.000	1.700		
6 DF 8 EL 0341 P R	REPLACE JIG GRINDER	1.260	.000	1.260		
6 DE 8 EL 0456 P R	REPLACE ELECTROCHEMICAL GRINDEF	1.250	.000	1.250		
6 DE 8 EL 0480 P R	PROCURE MACHINING CENTER	1.200	.000	1.200		
	SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)	15.760	(1.750)	14.010		See above.
DN EU 0000	1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)	17.211	(3.263)	13.948		6 projects had price increases, 3 had price decreases, 8 were cancelled, 3 were moved to FY07, and 3 were added resulting in a net decrease.
	2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM	32.971	(5.013)	27.958		
DN MC 0000	3. MINOR CONSTRUCTION	4.090	1.805	5.895		2 projects had price increases, 7 were cancelled, and 11 were added resulting in a net increase.
	TOTAL NON-ADP CAPITAL PURCHASES PROGRAM (>\$1M)	37.061	(3.208)	33.853		
6 DF 8 KL 0238 G R	DEFENSE MAINT SYSTEM UPGRADE PHASE II & III	1.510	.000	1.510	New	Deputy Chief of Naval Operations mandates reduction of IT Infrastructure. Current server infrastructure cannot meet task.
7 DC 8 KL 0683 G R	WEB SERVER CONSOLIDATION CARZ	.000	1.200	1.200		
	SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)	1.510	1.200	2.710		2 projects were added at NI
DN KU 0000	1b. ADPE & TELECOMMUNICATIONS (<\$1M)	1.514	1.608	3.122		
	2. TOTAL ADPE & TELECOMMUNICATIONS	3.024	2.808	5.832		
7 DF 8 DL 0585 G R	I&D INTEGRATION, PHASE II	1.000	.000	1.000		
7 DE 8 DL 0585 G R	I&D INTEGRATION, PHASE II	1.000	.000	1.000		
7 DC 8 DL 0585 G R	I&D INTEGRATION, PHASE II	1.000	.000	1.000		
	3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)	3.000	0.000	3.000		
DN DU 0000	3b. SUBTOTAL SOFTWARE DEVELOPMENT (<\$1M)	0.000	0.400	0.400		CAFIS project added at JAX per Navair
	3. TOTAL SOFTWARE DEVELOPMENT	3.000	0.400	3.400		
	TOTAL ADP CAPITAL PURCHASES PROGRAM	6.024	3.208	9.232		
	GRAND TOTAL CAPITAL PURCHASES PROGRAM	43.085	0.000	43.085		

FY 2009 DON BUDGET SUBMISSION
DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE - AVIATION DEPOTS
CAPITAL BUDGET EXECUTION
(DOLLARS IN MILLIONS)
FY 2009

ITEM LINE #	ITEM DESCRIPTION	Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
6 DF 8 EL 0225	P R UPGRADE T400 TEST CELL #6	.022	.000	.022		
6 DF 8 EL 0092	P R REPLACE WHIRLTOWER ROTOR HEAD	.022	.000	.022		
6 DF 8 EL 0207	P R REPLACE TEST CELL DATA ACQUISITION SYSTEM	.022	.000	.022		
6 DF 8 EL 0341	P R REPLACE JIG GRINDER	.022	.000	.022		
6 DF 9 EL 0041	P R HELICOPTER BLADE DEPAINTING SYSTEM	2.550	(2.550)	.000	Deferral	Follow on to Technology insertion project. Can defer to FY10.
6 DF 9 EL 0186	P R SANDING BOOTH/DUST COLLECTOR REPLACEMENT B4224	.000	1.600	1.600	New	Existing system producing vapors harmful to workers.
6 DF 9 EL 0251	P R REPLACE HORIZONTAL BORING MILL	.000	1.425	1.425	New	Existing system is high maintenance and becoming inaccurate.
6 DF 9 EL 0232	P R REPLACE VERTICAL GRINDER	.000	1.100	1.100	New	Existing system is high maintenance and becoming inaccurate.
6 DE 9 EL 0476	P R REPLACE CNC LASER PUNCH PRESS	1.410	.000	1.410		
6 DE 9 EL 0377	P R REPLACE CNC CYLINDRICAL GRINDER	1.400	(1.400)	0.000	Cancellation	Project cancelled due to workload changes.
6 DE 9 EL 0479	P R REPLACE WALK-IN BLAST BOOTH	0.000	1.520	1.520	New	New Requirement.
SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)		5.448	1.695	7.143		
DN EU 0000		20.187	(1.717)	18.470		1 project had a price increase, 8 were cancelled, 6 were deferred, 6 were added for a net decrease.
2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM		25.635	(0.022)	25.613		
DN MC 0000	3. MINOR CONSTRUCTION	4.945	1.757	6.702		9 projects had price increases, 3 were cancelled, 1 deferred, 4 were added resulting in a net increase.
TOTAL NON-ADP CAPITAL PURCHASES PROGRAM		30.580	1.735	32.315		
1a. ADPE & TELECOMMUNICATIONS (>\$1M)						
6 DF 8 KL 0238	G R DEFENSE MAINT SYSTEM UPGRADE PHASE II & III	1.510	.000	1.510		
7 DC 9 KL 0588	G R UPGRADE UNIX SERVER #2	1.500	.000	1.500		
7 DC 9 KL 0587	G R STORAGE ARRAY EXPANSION	1.250	.000	1.250		
SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)		4.260	0.000	4.260		
DN KU 0000	1b. ADPE & TELECOMMUNICATIONS (<\$1M)	2.995	(1.735)	1.260		2 projects were cancelled and 1 deferred at CP
2. TOTAL ADPE & TELECOMMUNICATIONS		7.255	(1.735)	5.520		
7 DC 8 DL 0585	G R I & D INTEGRATION, PHASE II	1.000	.000	1.000		
7 DE 8 DL 0585	G R I & D INTEGRATION, PHASE II	1.000	.000	1.000		
7 DF 8 DL 0585	G R I & D INTEGRATION, PHASE II	1.000	.000	1.000		
3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)		3.000	0.000	3.000		
DN DU 0000	3b. SUBTOTAL SOFTWARE DEVELOPMENT (<\$1M)	0.000	0.000	0.000		
3. TOTAL SOFTWARE DEVELOPMENT		3.000	0.000	3.000		
TOTAL ADP CAPITAL PURCHASES PROGRAM		10.255	(1.735)	8.520		
GRAND TOTAL CAPITAL PURCHASES PROGRAM		40.835	0.000	40.835		

Fiscal Year (FY) 2009 Budget Estimate
Navy Working Capital Fund
Material Inventory Data
Activity Group: Depot Maintenance/NAVAIRDEPOTS
Date: February 2008
(\$ in Millions)

FY 2007

	<u>Total</u>		<u>Mobilization</u>		----- Peacetime -----	
					<u>Operating</u>	<u>Other</u>
Material Inventory BOP	\$ 62.0	\$	-	\$	62.0	\$ -
<u>Purchases</u>						
A. Purchases to Support Customer Orders	\$ 792.9	\$	-	\$	792.9	\$ -
B. Purchase of long lead items in advance of customer orders	-		-		-	-
C. Other Purchases	-		-		-	-
D. Total Purchases	\$ 792.9	\$	-	\$	792.9	\$ -
<u>Material Inventory Adjustments</u>						
A. Material Used in Maintenance	\$ 809.9	\$	-	\$	809.9	\$ -
B. Disposals, theft, losses due to damages	-		-		-	-
C. Other reductions	-		-		-	-
D. Total inventory adjustments	\$ 809.9	\$	-	\$	809.9	\$ -
Material Inventory EOP	\$ 45.0	\$	-	\$	45.0	\$ -

Fiscal Year (FY) 2009 Budget Estimate
Navy Working Capital Fund
Material Inventory Data
Activity Group: Depot Maintenance/NAVAIRDEPOTS
Date: February 2008
(\$ in Millions)

FY 2008

	<u>Total</u>		<u>Mobilization</u>		----- Peacetime -----	
					<u>Operating</u>	<u>Other</u>
Material Inventory BOP	\$ 45.0	\$	-	\$	45.0	\$ -
<u>Purchases</u>						
A. Purchases to Support Customer Orders	\$ 789.7	\$	-	\$	789.7	\$ -
B. Purchase of long lead items in advance of customer orders	-		-		-	-
C. Other Purchases	-		-		-	-
D. Total Purchases	\$ 789.7	\$	-	\$	789.7	\$ -
<u>Material Inventory Adjustments</u>						
A. Material Used in Maintenance	\$ 770.6	\$	-	\$	770.6	\$ -
B. Disposals, theft, losses due to damages	-		-		-	-
C. Other reductions	-		-		-	-
D. Total inventory adjustments	\$ 770.6	\$	-	\$	770.6	\$ -
Material Inventory EOP	\$ 64.1	\$	-	\$	64.1	\$ -

Fiscal Year (FY) 2009 Budget Estimate
Navy Working Capital Fund
Material Inventory Data
Activity Group: Depot Maintenance/NAVAIRDEPOTS
Date: February 2008
(\$ in Millions)

FY 2009

		<u>Total</u>		<u>Mobilization</u>		----- Peacetime -----		<u>Operating</u>		<u>Other</u>
Material Inventory BOP	\$	64.1	\$	-	\$	64.1	\$	-		-
<u>Purchases</u>										
A. Purchases to Support Customer Orders	\$	-	\$	-	\$	-	\$	-		-
B. Purchase of long lead items in advance of customer orders		770.3		-		770		-		-
C. Other Purchases		-		-		-		-		-
D. Total Purchases	\$	770.3	\$	-	\$	770.3	\$	-		-
<u>Material Inventory Adjustments</u>										
A. Material Used in Maintenance	\$	775.4	\$	-	\$	775.4	\$	-		-
B. Disposals, theft, losses due to damages		-		-		-		-		-
C. Other reductions		-		-		-		-		-
D. Total inventory adjustments	\$	775.4	\$	-	\$	775.4	\$	-		-
Material Inventory EOP	\$	59.0	\$	-	\$	59.0	\$	-		-

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MARINE CORPS DEPOTS

Marine Corps Depots

**DEPARTMENT OF NAVY
NAVY CAPITAL WORKING CAPITAL FUND
DEPOT MAINTENANCE ACTIVITY GROUP- MARINE CORPS DEPOTS
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

Activity Group Functions:

The mission of the Marine Corps Depot Maintenance Activity Group (DMAG) is to provide quality products and responsive maintenance support services required to maintain a core industrial base in support of mobilization, surge and reconstitution requirements. The maintenance functions, performed by the DMAG include repair, rebuild, modification, and Inspect and Repair Only as Necessary (IROAN) for all types of ground combat and combat support equipment. Marine Corps, other Department of Defense (DOD) activities, as well as Foreign Military Sales (FMS) customers utilize the DMAG maintenance services. Performance of maintenance related services such as preservation, testing, technical evaluation, calibration, and fabrication of automated test equipment are examples of other functions performed.

Activity Group Composition:

The DMAG is comprised of two Multi-Commodity Maintenance Centers located in Albany, Georgia and Barstow, California. The Maintenance Centers are under the Marine Corps Logistics Command. The Centers maintain virtually identical capabilities in order to provide support to Marine Corps operation units, regardless of the unit geographical location. In order to support these functions, the Marine Corps Maintenance Centers maintain over 70 skill sets in a wide variety of diversified personnel.

Significant Changes in Activity Group:

The DMAG Fiscal Year (FY) 2009 budget submission continues to reflect significant fluctuations in workload as a result of battle-damaged equipment and weapons systems returning from the current Global War on Terrorism (GWOT). Marine Corps equipment requires timely repair in order to reconstitute the Operating Forces and the Marine Corps' Maritime Prepositioning Forces (MPF) Program. This additional demand is expected to continue through FY 2009.

Financial Profile:

<u>Revenue/Expense/Operating Results (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$469.9	\$411.5	\$379.7
Cost of Goods and Services	\$479.5	\$431.8	\$393.5
Operating Results	-\$9.7	-\$20.2	-\$13.9
Other Changes Affecting AOR	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Accumulated Operating Results (AOR)	\$34.1	\$13.9	\$0.0

FY 2007 revenue was five percent below the FY 2007 estimate in the FY 2008 President's Budget. Major workload efforts include repair of battle damaged LAVs, MK48s, and Amphibious Assault Vehicles (AAV) Inspect and Repair Only As Necessary (IROAN).

FY 2008 and FY 2009 revenue is expected to decline 12% and 8% respectively from the previous FY. This operating tempo decline is the result of a decrease in specifically identified GWOT workload. However, the DMAG can maintain its current OPTEMPTO if more GWOT workload is assigned to it. FY 2008 and FY 2009 revenue is also impacted by negative surcharges in each year resulting in order to achieve an AOR of zero in FY 2009.

Cash Collections, Disbursements and Net Outlays

<u>Collections/Disbursements/Outlays (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	\$488.1	\$401.8	\$381.2
Disbursements	\$527.9	\$383.9	\$396.0
Net Outlays	\$39.8	-\$17.9	\$14.8

The trends in collections, disbursements, and net outlays are consistent with current workload estimates.

New Orders:

<u>Reimbursable Orders (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
FY 2009 Budget Estimates	\$462.0	\$239.9	\$360.5

FY 2008 new orders remain relatively consistent with the FY 2008 President's Budget estimate. FY 2009 new orders are forecasted to be significantly higher than previous estimates. The increase in workload is due to the expectations of additional demand for repair of combat-ravaged equipment and weapons systems returning from the current GWOT. The DMAG must also manage and schedule its workload based on availability of assets to be inducted, parts and components deliveries and carryover concerns.

<u>Workload</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Direct Labor Hours (000)	2,909	2,831	2,708
Overtime as a Percent of Total Direct Hours	19.7%	16.6%	16.7%

As the Marine Corps continues to execute the influx of additional orders, civilian direct labor hours are expected to increase significantly from the FY 2008 President's Budget in FY 2008 and FY 2009. Overtime as a percent of total direct labor hours remains relatively stable over the budget period.

Staffing:

<u>Civilian / Military End Strength & Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	2,063	1,992	1,899
Civilian Workyears	2,086	2,012	1,908
Military End Strength	12	13	13
Military Workyears	3	13	13

Civilian end strength and workyear changes since the FY 2008 President's Budget reflect the strength levels required to execute the customer negotiated Master Work Schedule (MWS) that includes expedites and GWOT workload.

Changes in funded workload will require a personnel reduction of 84 civilian end strength for FY 2008 and 93 for FY 2009. These decreases include 20 VSIPs in order to

restructure the workforce. The majority of the projected personnel reductions will be achieved primarily through the release of temporary employees.

Customer Rate Changes:

<u>Stabilized Rate Changes</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Stabilized Rate	\$120.15	\$123.87	\$130.88
Change from Prior Year	-3.33%	3.10%	5.66%

The driving factor for the increase in FY 2009 rates from the FY 2008 rate are pay raise and general inflation indices plus change in the recoupment factor to achieve zero AOR.

Capital Investment Authority:

<u>Capital Investment Program (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment, Non-ADPE/Telecommunications	\$1.7	\$3.9	\$2.0
Equipment, ADPE/Telecommunications	\$0.0	\$0.0	\$0.0
Software	\$0.0	\$0.0	\$0.0
Minor Construction	\$2.3	\$1.2	\$2.9
Total	\$4.0	\$5.1	\$4.9

Variations in authority between CIP categories and between budget years are dependent upon Maintenance Centers' requirements for capital assets that maintain or enhance production capability and capacity.

Performance Indicators:

<u>Performance Indicators</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Schedule Conformance	99.6%	99.3%	99.3%
Quality Deficiency Reports	0.1%	0.2%	0.2%
Inventory Turnover Ratio	3:4:1	3:1:1	3:5:1

Schedule conformance indicators are advancing toward the 100% goal through management initiatives aimed at increasing and improving productivity yield through continued use of Theory of Constraints (TOC) practices. The Quality Deficiency Reports Performance Indicators remain relatively constant in all years. The Inventory Turnover Ratio remains relatively level from FY 2007 to FY 2009.

Productivity Initiatives:

The Marine Corps Maintenance Centers continue to focus on refining and expanding the already-successful implementation of the Theory of Constraints (TOC) and applying Lean Thinking concepts to eliminate wasteful steps in shop-level procedures. These initiatives are constant ongoing efforts and the ultimate result of the two concepts is cost avoidance, in that it changes the mindset of operations. TOC represents the successful integration of production theories and better business practices. The registration of the Marine Corps Maintenance Centers under the International Standards Organization (ISO 9002) resulted from successful implementation of all efforts such as Compass Contract, MRPII and Earned Value Management.

Carryover (\$Millions)	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
New Orders	\$462.0	\$239.9	\$360.5
Less Exclusions:			
FMS	\$0.9	\$1.0	\$1.0
BRAC	\$0.0	\$0.0	\$0.0
Other Federal Depts. & Agencies	-\$0.4	\$0.0	\$0.0
Non-Federal & Others	\$1.4	\$0.1	\$0.1
Orders for Carryover Calculation	\$269.9	\$99.1	\$79.8
Composite Outlay Rate (SSRCO)	54.1%	61.2%	61.8%
Carryover Ceiling Rate	45.9%	38.7%	38.2%
Carryover Ceiling	\$211.2	\$92.7	\$137.4
Balance of Customer Orders at Yr End	\$271.3	\$99.7	\$80.5
Less Work in Process	\$0.2	\$0.1	\$0.0
Less Exclusions			
FMS	\$0.8	\$0.2	\$0.2
BRAC	\$0.0	\$0.0	\$0.0
Other Federal Depts. & Agencies	\$0.0	\$0.0	\$0.0
Non-Federal & Others	\$0.6	\$0.4	\$0.4
Carryover Budget	\$269.9	\$99.0	\$79.9

FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
 REVENUE and EXPENSES
 AMOUNT IN MILLIONS
 MCIF / TOTAL

FEBRUARY 2008

	FY 2007 CON	FY 2008 CON	FY 2009 CON
Revenue:			
Gross Sales			
Operations	466.3	406.1	374.1
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	3.6	5.4	5.6
Other Income			
Total Income	469.9	411.5	379.7
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	1.0	1.0	1.0
Civilian Personnel	174.1	169.4	166.8
Travel and Transportation of Personnel	3.1	3.9	3.6
Material & Supplies (Internal Operations	193.5	179.6	157.4
Equipment	6.3	6.7	5.3
Other Purchases from NWCF	2.4	2.3	2.4
Transportation of Things	.0	.0	.0
Depreciation - Capital	3.6	5.4	5.6
Printing and Reproduction	.1	.1	.1
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	8.9	9.7	9.3
Other Purchased Services	85.8	53.6	41.8
Total Expenses	478.8	431.7	393.5
Work in Process Adjustment	.7	.1	.1
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	479.5	431.8	393.5
Operating Result	-9.7	-20.2	-13.9
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-9.7	-20.2	-13.9
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	34.1	13.9	.0

Exhibit Fund-14

FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
 MCIF / TOTAL
 SOURCE of REVENUE
 AMOUNT IN MILLIONS

FEBURARY 2008

	FY 2007 CON	FY 2008 CON	FY 2009 CON
	-----	-----	-----
1. New Orders	462	240	360
a. Orders from DoD Components	441	230	352
Department of the Navy	413	212	313
O & M, Navy	5	0	0
O & M, Marine Corps	326	195	294
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	1	12	15
Aircraft Procurement, Navy	0	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	3	0	0
Procurement, Marine Corps	78	4	4
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	1	0	0
Military Construction, Navy	0	0	0
National Defense Sealift Fund	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	1	1
Department of the Army	23	17	33
Army Operation & Maintenance	21	15	30
Army Res, Dev, Test, Eval	0	1	0
Army Procurement	2	0	0
Army Other	1	1	2
Department of the Air Force	4	1	6
Air Force Operation & Maintenance	4	1	6
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	1	0	0
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	0	0	0
Res, Dev, Test & Eval Accounts	0	0	0
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	1	0	0
b. Orders from other WCF Activity Groups	19	9	8
c. Total DoD	460	239	359
d. Other Orders	2	1	1
Other Federal Agencies	0	0	0
Foreign Military Sales	1	1	1
Non Federal Agencies	1	0	0
2. Carry-In Orders	279	271	100
3. Total Gross Orders	741	511	460
a. Funded Carry-Over before Exclusions	271	100	81
b. Total Gross Sales	470	411	380
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-1	-1	-1
6. Net Funded Carryover	270	99	80

Note: Line 4 (End of Year Work-In-Process)
 Is adjusted for Non-DoD, BRAC & FMS
 and Institutional MRTFB

CHANGES IN THE COSTS OF OPERATION
DEPARTMENT OF THE NAVY
Navy Working Capital Fund
Marine Corps Depot Maintenance
Fiscal Year (FY) 2009 Budget Estimates
February 2008
(Dollars in Millions)

			Total Cost
1.	FY 2007	Actuals	478.8
2.	FY 2008	President's Budget:	353.0
3.		Pricing Adjustments:	
	a.	FY 2008 Pay raise	
		(1) Civilian Personnel	0.6
		(2) Military Personnel	0.0
	b.	Annualization of Prior Year Pay Raise	
		(1) Civilian Personnel	0.0
		(2) Military Personnel	0.0
	c.	General Inflation	-0.6
4.		Program Changes:	
	a.	Workload Changes	
		(1) Direct Labor	11.3
		(2) Direct Materiel & Supplies	44.3
		(3) Direct Contract/Other Purchases	8.0
5.		Other Changes	
	a.	Indirect Labor	-6.4
	b.	Indirect Materiel	9.1
	c.	Depreciation	1.0
	d.	Contract Services	11.0
	e.	VERA/VSIP	0.0
	f.	Other	0.4
6.	FY 2008	Current Estimate:	431.8
7.		Pricing Adjustments:	
	a.	FY 2009 Pay raise	
		(1) Civilian Personnel	3.5
		(2) Military Personnel	0.0
	b.	Annualization of Prior Year Pay Raise	
		(1) Civilian Personnel	1.2
		(2) Military Personnel	0.0
	c.	General Inflation	4.1
8.		Program Changes:	
	a.	Workload Changes	
		(1) Direct Labor	-5.2
		(2) Direct Material & Supplies	-24.6
		(3) Direct Contract/Other Purchases	-11.8
	b.	Impact of One Less Paid Day	-0.5
9.		Other Changes	
	a.	Indirect Labor	-2.1
	b.	Indirect Materiel	-1.9
	c.	Depreciation	0.2
	d.	Contract Services	-4.5
	e.	VERA/VSIP	0.0
	f.	Other	3.4
10.	FY 2009	Current Estimate	393.5

Department of the Navy MARINE CORPS DEPOT MAINTENANCE Activity Group Capital Investment Summary FISCAL YEAR (FY) BUDGET ESTIMATES February 2008 \$ in Millions							
Line #	Description	FY 2007		FY 2008		FY 2009	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE and Telecom Equipment						
	- Replacement Capability	1	\$0.612	6	\$2.896	2	\$0.600
	- Productivity Capability	1	\$1.044	1	\$1.000	4	\$1.402
	- New Mission Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
2	ADPE and Telecom Equipment						
	- Computer Hardware (Production)	0	\$0.000	0	\$0.000	0	\$0.000
	- Computer Software (Operating)	0	\$0.000	0	\$0.000	0	\$0.000
	- Telecommunications	0	\$0.000	0	\$0.000	0	\$0.000
	- Oth Computer & Telecom Spt Equip	0	\$0.000	0	\$0.000	0	\$0.000
3	Software Development						
	- Projects = or > \$1M (List Separately)	0	\$0.000	0	\$0.000	0	\$0.000
	- Projects < \$1M	0	\$0.000	0	\$0.000	0	\$0.000
4	Minor Construction						
	- Replacement Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Productivity Capability	3	\$2.087	3	\$0.775	5	\$2.125
	- New Mission Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Environmental Capability	1	\$0.257	1	\$0.400	1	\$0.739
	Grand Total	6	\$4.000	11	\$5.071	12	\$4.866
	Total Capital Outlays	0	\$3.550	0	\$4.551	0	\$5.415
	Total Depreciation Expense	0	\$3.591	0	\$5.401	0	\$5.618

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES FEBRUARY 2008					
Department of the Navy / Marine Corps Depot Maintenance	#001 - Non-ADPE and Telecommunications Equipment	FY 2007		FY 2008		FY 2009	
		Quant	Unit Cost	Quant	Unit Cost	Quant	Unit Cost
			Total Cost		Total Cost		Total Cost
Non-ADPE and Telecommunications Equipment		1	612	6	483	2	300
<i>Replacement Capability</i>		1	1,044	1	1,000	4	351
<i>Productivity Capability</i>		2	1,656	7	3,896	6	2,002
Total							
Justification:							
FY 2007 Horizontal Boring Mill (MCB, Replacement) : HTDE-1000-MC Hiclin Test System (MCB, Productivity) : FY 2008 Upgrade Inline Transmission Dynamometer (MCA, Replacement) Traumatic L 3050 CO2 Laser (MCB, Replacement) AT2 Field Test Set Variant (MCB, Replacement) Model 13370 Aperture IR System (MCB, Replacement)) Cincinnati 2512G Mechanical Shear (MCB, Replacement) YXLON MG452 X-Ray System (MCB, Replacement) Full Floor Recovery System (MCB, Productivity) FY 2009 DITWICO Machine Replacement (MCA, Replacement) Omax Abrasive Jet Table (MCB, Replacement) Cranes for Machine Shop (MCA, Productivity) CNC Equipment (MCA, Productivity) General Hone Model 3V-310 Vertical Hone (MCB, Productivity) 7.5T Trolley (MCB, Productivity)							

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES FEBRUARY 2008			
(\$ in Thousands)		#004 - Minor Construction \$20K-\$750K			
Department of the Navy / Marine Corps Depot Maintenance		FY 2007		FY 2008	
		Quant	Unit Cost	Total Cost	Total Cost
Minor Construction					
Replacement					
Productivity		3	696	2,087	775
New Mission					
Environmental		1	257	257	400
Total		4		2,344	1,175
Justification:					
Minor Construction FY07/08/09:					
FY 2007					
Prewash Facility Conversion, Bldg 2211 (MCA, Productivity:)					
Engineering Storage Building (MCA, Productivity) :					
Building 2242 Conversion (MCA, Productivity)					
Hazardous Material Storage Building (MCA, Environmental)					
FY 2008					
75 Ton Crane (MCA, Productivity) ; Rubber Coating Area Addition (MCA, Productivity) and Addition to Building 2233 (MCA, Productivity) .					
Hazmat Storage Building (MCA, Environmental);					
FY 2009					
Install 35T Crane (MCA, Productivity) : An additional crane would be installed on each side of the annex assembly areas, B2200, and the engineering equipment building, B2242, to provide more productivity and provide a backup for the existing cranes. The cranes in both these areas are radio operated by specially trained production workers. The investment cost is \$0.500M.					
Automotive Facility (MCB, Productivity) : Construct CRS Shop (MCA, Productivity) ; Construct Work Facility for Graphic Arts Lab (MCA, Productivity) ; Construct TMDE Branch Administrative Space (MCA, Productivity) .					
Decontamination Facility (MCB, Environmental) : Due to the possible exposure of toxic metal dust during sandblast operations, OSHA regulations and the Code of Federal Regulations (Title 29 part 1910 and 1926) mandate that we provide our sandblast workforce a controlled area specifically designed to facilitate personal decontamination at the end of each work period. This facility will meet this requirement. The productivity enhancement project's BIR = 4.59 and will pay for itself in under five years.					
		5	425	2,125	2,125
		1	739	739	739
		6		2,864	2,864

NAVY WORKING CAPITAL FUND
MARINE CORPS DEPOT MAINTENANCE
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008
(Dollars in Millions)

FY 2008 BUDGET ESTIMATE

<u>FY</u>	<u>Approved Project Title</u>	<u>Amount</u>	<u>Reprogs</u>	<u>Approved Project Cost</u>	<u>Current Project Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
	Equipment except ADPE and TELECOM						
	2008 Upgrade Inline Transmission Dynamometer (MCA)	0.444	0.000	0.444	0.444	0.000	
	2008 Crankshaft Grinder (MCA)	0.500	-0.500	0.000	0.000	0.000	0.000 Removed, Productivity
	2008 Traumatic L 3050 CO2 Laser (MCB)	0.756	0.000	0.756	0.756	0.000	
	2008 Full Floor Recovery System (MCB)	1.000	0.000	1.000	1.000	0.000	
	2008 Horizontal Boring Mill (MCB)	0.833	-0.833	0.000	0.000	0.000	0.000 Moved to FY07, Replacement
	2008 AT2 Field Test Variant (MCB)	0.000	0.862	0.862	0.862	0.000	0.000 New Project, Replacement
	2008 Arperturn 13370 IR System (MCB)	0.000	0.255	0.255	0.255	0.000	0.000 New Project, Replacement
	2008 Cincinnati Mechanical Shear (MCB)	0.000	0.254	0.254	0.254	0.000	0.000 New Project, Replacement
	2008 YXLON MG-452 X-Ray System (MCB)	0.000	0.325	0.325	0.325	0.000	0.000 New Project, Replacement
	Subtotal Equipment	3.533	0.363	3.896	3.896	0.000	
	Equipment - ADPE and TELECOM						
	Subtotal Equip - ADPE and TELECOM	0.000	0.000	0.000	0.000	0.000	
	Software Development						
	Subtotal Software	0.000	0.000	0.000	0.000	0.000	
	Minor Construction						
	2008 75 Ton Crane (MCA)	0.475	0.000	0.475	0.475	0.000	
	2008 Hazmat Storage Building (MCA)	0.400	0.000	0.400	0.400	0.000	
	2008 Addition to Rubber Coat Area (MCA)	0.000	0.100	0.100	0.100	0.000	0.000 New Project, Productivity
	2008 Addition to Bldg 2233 (MCA)	0.000	0.200	0.200	0.200	0.000	0.000 New Project, Productivity
	Sub-total Minor Construction	0.875	0.300	1.175	1.175	0.000	
	FY 2008 Estimate	4.408	0.663	5.071	5.071	0.000	

NAVY WORKING CAPITAL FUND
MARINE CORPS DEPOT MAINTENANCE
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008
(Dollars in Millions)

FY 2009 BUDGET ESTIMATE

<u>FY</u>	<u>Approved Project Title</u>	<u>Amount</u>	<u>Reprogs</u>	<u>Approved Project Cost</u>	<u>Current Project Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
	Equipment except ADPE and TELECOM						
	2009 DITMICO Machine (MCA)	0.200	0.000	0.200	0.200	0.000	
	2009 Cranes for Machine Shop (MCA)	0.400	0.000	0.400	0.400	0.000	
	2009 CNC Equipment (MCA)	0.400	0.000	0.400	0.400	0.000	
	2009 General Hone Model 3V-310 Vertical Hone (MCB)	0.279	0.000	0.279	0.279	0.000	
	2009 HITDE-1000-MC Hicklin Test System (MCB)	1.295	-1.295	0.000	0.000	0.000	Moved to 07, Productivity
	2009 Omax Abrasive Jet Table (MCB)	0.000	0.400	0.400	0.400	0.000	0.000 New Project, Replacement
	2009 Pangborn robotblast shot machine Model 6LN-1 (MCB)	0.311	-0.311	0.000	0.000	0.000	0.000 Moved to 07, Replacement
	2009 7.5T Trolley (MCB)	0.000	0.323	0.323	0.323	0.000	0.000 New Project, productivity
	Subtotal Equipment	2.885	-0.883	2.002	2.002	0.000	
	Equipment - ADPE and TELECOM						
	Subtotal Equip - ADPE and TELECOM	0.000	0.000	0.000	0.000	0.000	
	Software Development						
	Subtotal Software	0.000	0.000	0.000	0.000	0.000	
	Minor Construction						
	2009 Decontamination Facility (MCB)	0.739	0.000	0.739	0.739	0.000	
	2009 Construct CRS Shop (MCA)	0.400	0.000	0.400	0.400	0.000	
	2009 Install 35T Crane (MCA)	0.500	0.000	0.500	0.500	0.000	
	2009 Construct Work Facility for Graphic Arts Lab (MCA)	0.000	0.300	0.300	0.300	0.000	0.000 New Project, productivity
	2009 Construct TMDE Branch Admin Space (MCA)	0.000	0.300	0.300	0.300	0.000	0.000 New Project, productivity
	2009 Automotive Bldg (MCB)	0.000	0.625	0.625	0.625	0.000	0.000 New Project, productivity
	Sub-total Minor Construction	1.639	1.225	2.864	2.864	0.000	
	FY 2009 Estimate	4.524	0.342	4.866	4.866	0.000	

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
FISCAL YEAR (FY) 2009 Budget Estimates
FEBRUARY 2008
(Dollars in Millions)
Fiscal Year 2007

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP	123.6	0.0	123.6	0.0
<u>Purchases</u>				
A. Purchases to Support Customer Orders	211.2	0.0	211.2	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+)	0.0	0.0	0.0	0.0
Materials & Supplies				
D. Total Purchases	211.2	0.0	211.2	0.0
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	178.3	0.0	178.3	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	178.3	0.0	178.3	0.0
Material Inventory EOP*	156.4	0.0	156.4	0.0

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
FISCAL YEAR (FY) 2009 Budget Estimates
FEBRUARY 2008
(Dollars in Millions)
Fiscal Year 2008

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP*	156.4	0.0	156.4	0.0
<u>Purchases</u>				
A. Purchases to Support Customer Orders	125.2	0.0	125.2	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+) Materials & Supplies	0.0	0.0	0.0	0.0
D. Total Purchases	125.2	0.0	125.2	0.0
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	162.6	0.0	162.6	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	162.6	0.0	162.6	0.0
Material Inventory EOP*	119.0	0.0	119.0	0.0

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
FISCAL YEAR (FY) 2009 Budget Estimates
FEBRUARY 2008
(Dollars in Millions)
Fiscal Year 2009

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP*	119.0	0.0	119.0	0.0
<u>Purchases</u>				
A. Purchases to Support Customer Orders	129.2	0.0	129.2	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+) Materials & Supplies	0.0	0.0	0.0	0.0
D. Total Purchases	129.2	0.0	129.2	0.0
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	140.8	0.0	140.8	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	140.8	0.0	140.8	0.0
Material Inventory EOP*	107.5	0.0	107.5	0.0

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NAVAL AIR WARFARE CENTER

Naval Air Warfare Center

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

**RESEARCH AND DEVELOPMENT
NAVAL AIR WARFARE CENTER**

Mission Statement / Overview

This Naval Air Warfare Center (NAWC) budget submission includes the Aircraft Division (AD) and the Weapons Division (WD). The NAWCAD mission is to remain the Navy's principal RDT&E, engineering and Fleet support activity for naval aircraft engines, avionics, aircraft support systems and ship/shore/air operations. The scope of the Aircraft Division mission includes the acquisition and in-service support of manned aircraft and unmanned air vehicles (UAVs) as well as air operations ashore and afloat. The NAWCWD mission is to be the Navy's full spectrum research, development, test, evaluation, and in-service engineering center for weapons systems associated with air warfare (except antisubmarine warfare system), missiles and missile subsystems, aircraft weapons integration, and assigned airborne electronic warfare system, and to maintain and operate the air, land, and sea Naval Western Test Range complex. NAWC receives Major Range Test Facility Base funding (RDT&E,N appropriation) to maintain and support designated range facilities.

Activity Group Composition:

The NAWC is comprised of two business units, the Aircraft Division (AD), with the primary location at Patuxent River, MD, and the Weapons Division (WD), with the primary locations at China Lake, CA and Point Mugu, CA.

Significant Changes Since the FY 2008 President's Budget:

There are no significant changes in the activity group or composition since the FY 2008 President's Budget.

Financial Profile:

<u>Revenue/Expense/NOR/AOR (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$2,956.7	\$2,933.6	\$3,001.1
Expense	\$2,964.7	\$2,925.5	\$3,028.9
Operating Results	(\$8.0)	\$8.1	(\$27.8)
Other Changes Affecting AOR			
Accumulated Operating Results (AOR)	\$19.7	\$27.8	\$0.0

Revenue and Expense: The trend in revenue and expense from year to year is attributed to fuel pricing, inflation, and workload fluctuations.

<u>Collections/Disbursements/Outlays</u> <u>(\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	\$2,855.0	\$3,099.6	\$3,004.9
Disbursements	\$2,976.8	\$2,993.7	\$3,008.8
Outlays	\$121.8	-\$105.9	\$3.9

Projected net outlays are consistent with projected revenue and expenses.

Workload:

<u>Reimbursable Orders (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	\$3,126.5	\$2,972.5	\$3,015.4

The Naval Air Warfare Center's customer base is expected to increase over FY 2008 President's Budget. Workload base has been reconciled with customer projections.

<u>Direct Labor Hours (000)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	14,686	14,982	14,464

Direct labor hours are consistent with customer projections.

Performance Indicators:

The Naval Air Warfare Center's primary performance indicators are:

<u>Unit Cost</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Stabilized Cost (\$Millions)	\$1,282.9	\$1,254.9	\$1,312.4
Workload (DLHs) (000)	14,686	14,982	14,464
Unit cost (per DLH)	\$87.35	\$83.76	\$90.73

Unit cost reflects the total stabilized costs for the projected level of workload, which has been verified through the customer base.

<u>Stabilized / Composite Rates</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Stabilized Rate	\$94.78	\$94.28	\$102.57
Change from Prior Year		-0.52%	+8.79%
Composite Rate Change		+1.40%	+4.20%

Rate changes reflect an increase in direct labor hours and revenue over the FY 2008 President's Budget and are consistent with the increase in the projected workload level.

Staffing:

<u>Civilian/Military ES & Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	10,057	10,103	10,034
Civilian Workyears (Straight-time)	9,774	10,011	9,914
Military End Strength	211	198	198
Military Workyears	164	134	149

Civilian Personnel: Civilian staffing levels are remaining constant through the budget period.

Military Personnel: Military end strength and workyear numbers have been priced using the Civilian Equivalency rates.

Capital Investment Program (CIP) Budget Authority:

<u>Capital Investment Program (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment, Non-ADP / Telecom	\$17.8	\$23.0	\$19.3
Equipment, ADPE / Telecom	7.3	11.2	8.2
Software Development	0.0	0.5	.7
Minor Construction	6.5	2.7	6.1
Total	\$31.6	\$37.4	\$34.3

The NAWC's investments in capital assets facilitate meeting long-range planning and programming objectives and result in satisfying the need for capability to perform operations, functions and services.

Carryover Compliance:

<u>Carryover (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
New Orders	\$3,126.5	\$2,972.5	\$3,015.4
Less Exclusions:			
Foreign Military Sales	85.5	58.9	39.1
Base Realignment and Closure	0.4	0.2	0.1
Other Federal Departments & Agencies	106.0	62.7	35.8
Non-Federal Agencies & others	15.7	16.8	9.4
Major Range & Test Facility Base	324.3	294.7	301.8
Orders for Carryover Calculation	\$2,594.6	\$2,539.2	\$2,629.2
Composite Outlay Rate	53.1%	52.8%	52.2%
Carryover Ceiling Rate	46.8%	47.2%	47.8%
Carryover Ceiling	\$1,216.8	\$1,198.8	\$1,257.2
Balance of Customer Orders at Year End	\$1,501.0	\$1,539.9	\$1,554.2
Less Work-in-Process	44.1	53.2	\$54.7
Less Exclusions			
Foreign Military Sales	110.7	124.4	91.5
Base Realignment and Closure	0.4	0.4	0.3
Other Federal Departments & Agencies	60.3	74.2	49.9
Non-Federal Agencies & Others	23.1	23.0	14.2
Major Range & Test Facility Base	131.6	147.3	142.6
Carryover Budget	\$1,130.8	\$1,117.4	\$1,201.1

Carryover estimates are within the outlay-based methodology controls.

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Revenue and Expenses
Activity: Naval Air Warfare Center
February 2008
(\$ in Millions)

	FY 2007 CON	FY 2008 CON	FY 2009 CON
Revenue:			
Gross Sales			
Operations	2,909.8	2,897.5	2,968.1
Surcharges	-.1	.0	.0
Depreciation excluding Major Construction	47.0	36.1	33.0
Other Income			
Total Income	2,956.7	2,933.6	3,001.1
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	10.1	8.5	9.9
Civilian Personnel	1,099.2	1,168.5	1,188.8
Travel and Transportation of Personnel	66.6	58.8	61.0
Material & Supplies (Internal Operations)	265.0	314.4	331.2
Equipment	48.2	12.9	15.3
Other Purchases from NWC	69.4	106.2	108.5
Transportation of Things	2.7	2.8	2.9
Depreciation - Capital	47.0	36.1	33.0
Printing and Reproduction	.6	1.1	1.1
Advisory and Assistance Services	1.3	23.0	23.4
Rent, Communication & Utilities	60.8	66.2	68.0
Other Purchased Services	1,309.2	1,127.0	1,185.8
Total Expenses	2,980.1	2,925.5	3,028.9
Work in Process Adjustment	-15.4	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	2,964.7	2,925.5	3,028.9
Operating Result	-8.0	8.1	-27.8
Less Surcharges	.1	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-7.9	8.1	-27.8
Other Changes Affecting AOR	18.5	.0	.0
Accumulated Operating Result	19.7	27.8	.0

Exhibit Fund-14 Revenue and Expenses

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Sources of Revenue
Activity: Naval Air Warfare Center
February 2008
(\$ in Millions)

	FY 2007 CCN	FY 2008 CCN	FY 2009 CCN
	-----	-----	-----
1. New Orders	3,127	2,972	3,015
a. Orders from DoD Components	2,838	2,756	2,856
Department of the Navy	2,364	2,347	2,599
O & M, Navy	526	486	501
O & M, Marine Corps	1	3	5
O & M, Navy Reserve	1	1	1
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	433	443	659
Weapons Procurement, Navy	36	54	53
Ammunition Procurement, Navy/MC	34	10	35
Shipbuilding & Conversion, Navy	45	53	47
Other Procurement, Navy	81	64	65
Procurement, Marine Corps	31	16	9
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	1,174	1,217	1,225
Military Construction, Navy	0	0	0
National Defense Sealift Fund	2	0	0
Other Navy Appropriations	-1	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	79	70	33
Army Operation & Maintenance	30	28	8
Army Res, Dev, Test, Eval.	29	18	10
Army Procurement	21	24	15
Army Other	-1	1	1
Department of the Air Force	120	107	72
Air Force Operation & Maintenance	20	16	11
Air Force Res, Dev, Test, Eval.	38	26	16
Air Force Procurement	62	65	45
Air Force Other	0	0	0
DOD Appropriation Accounts	275	232	151
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	48	47	34
Res, Dev, Test & Eval. Accounts	120	87	56
Procurement Accounts	103	95	58
Defense Emergency Relief Fund	-1	0	0
DOD Other	5	3	2
b. Orders from other WCF Activity Groups	82	79	75
c. Total DoD	2,919	2,834	2,931
d. Other Orders	207	138	84
Other Federal Agencies	106	63	36
Foreign Military Sales	86	59	39
Non Federal Agencies	16	17	9
2. Carry-In Orders	1,323	1,501	1,540
3. Total Gross Orders	4,450	4,473	4,555
a. Funded Carry-Over before Exclusions	1,501	1,540	1,554
b. Total Gross Sales	2,949	2,934	3,001
4. End of Year Work-In-Process (-)	-44	-53	-55
5. Non-DoD, ERAC, FMS, Inst. MRIFB (-)	-326	-369	-298
6. Net Funded Carryover	1,131	1,117	1,201

Note: Line 4 (End of Year Work-In-Process) is adjusted for Non-DoD, ERAC & FMS and Institutional MRIFB

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Changes in the Cost of Operations
Activity: Naval Air Warfare Center
February 2008
(\$ in Millions)

	Expenses -----
FY 2007 Actual	\$2,964.7
FY 2008 Estimate in FY 2008 President's Budget:	\$2,803.2
Pricing Adjustments:	
Change in FY 2008 Civilian Pay Raise	3.9
Fuel Pricing	\$17.1
General Inflation	-6.9
Program Changes:	
Multi-Mission Helicopter	\$39.5
Presidential Helo	33.0
Other Navy Programs	18.1
NASA	8.8
Maritime Patrol Aircraft Program	8.7
Advanced Anti-Radiation Guided Missile	7.5
Joint Strike Fighter	7.3
Navy Unmanned Air Vehicles	7.3
Aviation Support Equipment	5.2
Other	5.0
Other Changes	
Capital Investment Program Threshold Change	\$2.1
Depreciation	1.3
Civilian Personnel	-30.5
Efficiency Initiatives	-3.9
Other	-1.2
FY 2008 Current Estimate:	\$2,925.5

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Changes in the Cost of Operations
Activity: Naval Air Warfare Center
February 2008
(\$ in Millions)

	Expenses -----
FY 2008 Current Estimate:	\$2,925.5
 Pricing Adjustments:	
Civilian Personnel Pay Raise	
Impact of 2009 Pay Raise	\$24.7
Annualization of Prior Year Pay Raise	10.6
Military Personnel Pay Raise	
Impact of 2009 Pay Raise	\$0.2
Annualization of Prior Year Pay Raise	0.1
General Purchase Inflation	31.3
Working Capital Fund Price Changes	6.8
Fuel Price Changes	-2.1
 Program Changes:	
Joint Strike Fighter	\$216.6
F/A-18 Improvements	10.7
NASA	-9.0
F/A-18 Strike Fighter	-24.8
Other	-140.3
 Other Changes	
Military Labor Costs	\$1.2
Impact of Increase in CIP Threshold	-0.6
Depreciation	-3.1
Impact of One Less Paid Day	-4.6
Civilian Personnel	-15.0
Other	0.7
 FY 2009 Current Estimate:	 \$3,028.9

Activity Group Capital Investment Summary
Fiscal Year (FY) 2009 President's Budget Submission
Research and Development / Naval Air Warfare Center
February 2008
\$ in Millions

Line #	Description	FY 2007		FY 2008		FY 2009	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE and Telecom Equipment						
	- Replacement Capability	28	\$12.205	35	\$16.299	28	\$14.825
	- Productivity Capability	6	\$2.238	5	\$2.525	6	\$2.524
	- New Mission Capability	5	\$3.328	9	\$4.226	5	\$1.896
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
2	ADPE and Telecom Equipment						
	- Computer Hardware (Production)	6	\$2.852	9	\$6.921	6	\$3.469
	- Computer Software (Operating)	1	\$0.392	1	\$1.254	2	\$1.314
	- Telecommunications	3	\$2.735	2	\$2.150	1	\$0.650
	- Oth Computer & Telecom Spt Equip	3	\$1.348	2	\$0.849	5	\$2.751
3	Software Development						
	- Projects = or > \$1M (List Separately)	0	\$0.000	0	\$0.000	0	\$0.000
	- Projects < \$1M	0	\$0.000	1	\$0.455	2	\$0.745
4	Minor Construction						
	- Replacement Capability	3	\$1.600	3	\$1.230	1	\$0.700
	- Productivity Capability	0	\$0.000	0	\$0.000	1	\$0.300
	- New Mission Capability	13	\$4.910	8	\$1.450	10	\$5.088
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
	Grand Total	68	\$31.608	75	\$37.359	67	\$34.262
	Total Capital Outlays		\$30.424		\$34.847		\$33.827
	Total Depreciation Expense		\$47.038		\$36.112		\$33.031

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008							
Department of the Navy / Research and Development / Naval Air Warfare Center		#001 - Non-ADPE and Telecommunications / Replacement Capabilities					NAWC			
		FY 2007		FY 2008			FY 2009			
Non-ADPE and Telecommunications Equipment		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement Equipment		28		12,205	35		16,299	28		14,825
Total		28		12,205	35		16,299	28		14,825
Justification:										
<u>Non-ADPE and Telecommunications: FY2007-FY2009</u>										
<p>1. The purpose of the projects included in this capability are to enable the Naval Air Warfare Center (NAWC) to replace, consolidate, and upgrade the existing Arresting Gear (A/G) equipment and facilities at the Jet Car Track Sites (JCTS). JCTS has conducted recent testing at increased speeds and higher weights. This represents the requirements for the Navy's newest aircraft and have put the System beyond its maximum limitations and replacement parts are no longer available. Second, NAWC needs to replace the Electronic and Physical/Mechanical Calibration Laboratory for Synthesize Signal Generators, Universal Counters, Type N Mechanical Verification Kit, and Type N Coaxial Mechanical Verification Kit. This will improve our ability to calibrate various measurement devices and gauges used to check conformance or non-conformance of equipment to their proper specifications. Next, the Tactical Data Link Communications and the Command and Decision Console Support will upgrade and integrate Tactical Data Link Communications suites and AN/UYQ-70 Consoles into the Surface Aviation Interoperability Laboratory's (SAIL) C4ISR Architecture. The Aircraft Launch/Recovery Equipment (ALRE) Upgrades are essential because NAWC supports critical Navy Projects that require a fast turn-around time. The NAWC's existing ALRE equipment is obsolete for today's state-of-the-art Navy standards. Furthermore, equipment processors and mechanical systems are slow and have limited abilities to record, mix or process energetic materials and test processes. Also, Sensor fusion and Airborne Infra Red (IR) equipment is inadequate to support the rapidly growing needs of new developments in targeting and network centric operations. Next, research equipment in chemistry and physics laboratories is aging and becoming more difficult to maintain and repair. In addition, the ability of the Electronic Warfare (EW) Integration Laboratory to fulfill its mission has been seriously degraded by obsolete equipment, lack of connectivity and limited bandwidth. Furthermore, increased workload in laser technology and high energy lasers have exceeded the capacity and capabilities of current equipment. Improved equipment is required to characterize and coat dielectric and optical windows used in advanced seeker, sensor, and directed energy components. Another requirement is the expanding needs in surveillance and communications projects have created a need for a ground terminal providing wideband, line of site capability. Electromagnetic testing capabilities need to be expanded to higher frequencies to meet the requirements of future systems. Last, Airborne instrumentation capability for testing of countermeasure systems is limited by the unavailability of suitable aircraft. Testing of electronic warfare equipment is limited by an insufficient number of radar environment simulators.</p> <p>2. The new A/G systems for NAWC will represent all systems used on all Aircraft Carriers in the Fleet today and will be logistically supported for over 40 years. The Calibration Laboratory Equipment replacement will improve NAWC's ability to calibrate equipment with the increased accuracy that current and future technology requires. It will also increase our ability to perform calibrations in a timely and more cost efficient manner. These upgrades will also provide calibration personnel with a new level of confidence which will enhance operations and customer confidence. In addition, the Tactical Data Link Communications upgrade and the Command and Decision Console Support will ensure that NAWC will be in compliance with current Information and Assurance policies, Global Information Grid, and be able to operate in the Network Centric Environment. The ALRE Equipment upgrades will ensure that NAWC can support Service to Fleet emergencies and test qualification programs. Other new equipment will provide process control of energetic operations, test operations and data collection; signal processing capabilities for continued development of test equipment and flight hardware to support missile development; installation of new controllers for climatic chambers for continued test of operational hardware and fleet approved weapons; continued development of guidance equipment for various weapon systems. Sensor fusion equipment and mobile laboratories will allow extensive and automated data gathering for evaluation of detection and targeting systems. Upgraded chemistry and physics laboratories will significantly enhance efficiency and productivity. In addition, an updated sensor suite for the IR measurement pod will provide the capability to meet the expanding needs of customers. State of the art optical measurement devices, advanced Radio Frequency (RF) instrumentation, and metallographic sample preparation and analysis equipment will provide a much more effective capability to support analysis of weapon systems components. Upgraded equipment for EW integration will enable improved support to customers, allow improved turnaround times, and reduce maintenance costs. Furthermore, a high energy laser laboratory and improved laser characterization equipment will provide an increased ability to develop and evaluate the effects of directed energy devices. A portable ground terminal equipped with advanced antenna and communication gear will allow interface with manned and unmanned surveillance platforms and support of numerous customers. The third phase of the Electromagnetic Laboratory upgrade will include receiver and amplifier systems that increase to laboratory's frequency capability to that required by future platforms. Finally, a replacement instrumentation pod for air to air testing of countermeasures against missile seekers will be compatible with available test aircraft allowing continued support of critical programs. An additional Advanced Multiple Environment Simulator will provide an enhanced capability to support the development of EW suites in a more cost effective and timely manner.</p> <p>3. An economic analysis has been performed for each of the individual projects included in this capability.</p> <p>4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.</p> <p>5. If investment is not made, these laboratories would deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.</p>										

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008					
Department of the Navy / Research and Development / Naval Air Warfare Center			#001 - Non-ADPE and Telecommunications / Productivity Capabilities				NAWC	
			FY 2007		FY 2008		FY 2009	
Non-ADPE and Telecommunications Equipment			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Productivity			6		2,238	5		2,525
Total			6		2,238	5		2,525
Justification:								
<p><u>Non-ADPE and Telecommunications: FY2007-FY2009</u></p> <p>1. The purpose of the projects included in this capability is to enable the Naval Air Warfare Center Aircraft Division (NAWCAD) to support all Navy Air breathing Propulsion and Power Systems, rapid response to fuel and lubrication, and mishap investigation. NAWCAD has a requirement to replace the Main Gear Box on Drive Stand No. 10 to bring it to 100% capability. This Drive Stand is in excess of 25 years old and the main gear box internal assemblies have worn to the point that require being downgraded by 20% to continue safe usage in the testing of electrical generators. In addition, NAWCAD will add a new contamination detection and monitoring system to our Filtration Performance Test Facility. Currently, NAWCAD does not have an accurate, efficient, or repeatable way to read Jet Fuel Thermal Oxidation Test Tubes (JFTOT). Next, the Radar and Antenna Systems Division will overhaul its large Orbit/FR 4510 heavy duty positioned in support of the weapon systems life cycle through ISE. The Wavelength Division Multiplexing (WDM) Network Test Equipment will implement the tenants of Network Centric Warfare (NCW) by sharing, combining, analyzing and reconstructing C4IS real-time battlefield events to gain the strategic, high ground when deploying expeditionary forces.</p> <p>2. The new Main Gear Box will improve NAWCAD's safe usage in the testing of electrical generators. The ignition quality tester will satisfy the requirement to assess/predict the performance of fuels from various feedstocks with various processing techniques to determine their effects on, and usefulness in, the Navy's diesel engines and other equipment. The goal is to provide technology based options for future maritime capabilities and insert technologies into development and acquisition programs that address current and emerging naval aviation needs. The new positioner will reduce failure, reset positioning accuracies, and will extend its service life. WDM Network test equipment will ensure practical knowledge acquired by the lab to drive the NCW initiative and future deployments for the advanced fighter and cargo aircraft platforms.</p> <p>3. An economic analysis has been performed for each of the individual projects included in this capability.</p> <p>4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.</p> <p>5. If investment is not made, these laboratories would deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval warfighting effectiveness.</p>								

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008								
Department of the Navy / Research and Development / Naval Air Warfare Center			#001 - Non-ADPE and Telecommunications / New Mission Capabilities				NAWC				
			FY 2007			FY 2008			FY 2009		
Non-ADPE and Telecommunications Equipment			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
New Mission Equipment			5		3,328	9		4,226	5		1,896
Total			5		3,328	9		4,226	5		1,896
Justification:											
Non-ADPE and Telecommunications: <u>FY2007-FY2009</u>											
<p>1. The purpose of the projects included in this capability are to enable the Human Systems Department to provide a full spectrum life cycle research and engineering to optimize operator and maintainer effectiveness and survivability through human performance, training, and material solutions. Crashworthiness Systems Branch is required to perform specialized static tests for Aircraft Test Systems, so that aircraft can be qualified for flight and ensure the safety of the aviators and the equipment. The Naval Air Warfare Center (NAWC) also requires the capability in the Vision Lab to identify issues which degrade performance and integrity of optical transparencies, both coated and laminated. NAWC's programs toward visual performance and eye protection and the application of novel coating and polymeric manufacturing methods has brought unprecedented optical performance for aviators. However, the physical and chemical complexity at the interfaces are not currently understood which has caused delays in development of key safety equipment. Equipment will help in developing weaponization of unmanned vehicles in support of war fighter operations and development of new materials for detonation mechanics. Laboratory equipment specifically tailored for the investigation of nano-materials is required to fully explore the potential of this new class of materials for structural and energetic applications. In addition, research is required to provide the ability to fabricate devices based on nanotechnology, to evaluate the behavior and potential for swarming robotic devices, and to automate search and storage of unclassified and classified databases. Also, equipment will help in developing weaponization of unmanned vehicles and development of new high energy laser systems in support of war fighter operations. The capability does not currently exist to conduct multi-platform interoperability/network integration development and testing. Equipment is needed to develop a new class of materials suitable for high temperature applications. Last, equipment will help in developing weaponization of unmanned vehicles and development of new high energy laser systems in support of war fighter operations.</p> <p>2. Currently, there is no current in-house capability to fulfill the specialized static testing requirements of NAWC's aircraft that we are responsible to qualify for flight. Having this system at NAWC will eliminate costly contractor facility costs and enable us to accommodate our customer's time requirements for the testing and qualification of the Aircraft. In addition, the Vision Lab Optical Interface will enable NAWC to integrate eye protection (impact/ballistic, LEP, and chemical/biological), helmet mounted display (HMD), and cueing to provide better visual performance and protection for the Aviator at lower cost. New technologies in optics have pushed a number of programs towards multi-layer optics based on curved polycarbonate substrates. The War fighter will be able to find, track, target, and destroy enemy assets without putting themselves in harms way utilizing newly developed materials. In addition, Nano-device fabrication equipment will allow exploitation of nano materials synthesis efforts leading to improved weapon system components. Second, a Swarming Laboratory will be equipped to study the interaction of multiple robotic devices for ultimate application to concepts of operations for fleets of unmanned vehicles. In addition, new equipment will allow on-line searching of classified data bases allowing immediate access and retrieval of critical technical information. Also, the Interoperability Laboratory and associated equipment will provide the capability to support the development and testing of data link and communication network equipment for multiple air platforms. Finally, new equipment will allow the use of a molecular level approach to fabricate and evaluate research scale samples of high temperature polymer materials.</p> <p>3. An economic analysis has been performed for each of the individual projects included in this capability.</p> <p>4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.</p> <p>5. If investment is not made, these laboratories would deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.</p>											

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008								
Department of the Navy / Research and Development / Naval Air Warfare Center			#002 - ADPE and Telecommunications Capabilities/Production Capabilities			NAWC					
ADPE and Telecommunications Equipment			FY 2007			FY 2008			FY 2009		
			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Computer Hardware (Production)			6		2,852	9		6,921	6		3,469
Total			6		2,852	9		6,921	6		3,469

Justification:

FY2007-FY2009

Greater than \$1M:

Platform Laboratories Maritime Surveillance Aircraft Upgrade Program

1. Naval Air Warfare Center Aircraft Division (NAWCAD) is responsible for the implementation of system engineering resource center to support Naval Air Systems Command (NAVAIR) exploitation and implementation for the Sea Power 21 initiative. As a result, NAWCAD will continue to support the development and maintenance of distributed facilities to implement and validate the C5ISR architectures that will be required in the 21st century to support asynchronous warfare. These will include facilities, for modeling and simulation and platform validation. As a result the facilities will be used to work the Sea Power 21 initiative and FORCENET as NAVAIR moves to into the Network Centric Warfare (NCW). The facilities will also support Battlespace Engineering and Airship Integration and Development as well as support platform capabilities. Platforms included are Multi Mission Aircraft (MMA), Joint Strike Fighter (JSF) and Hawkeye 2000 as well as legacy platforms such as P-3, E-2C and E-6B. This request covers the aggregate of Competency 413000A Research and Engineering Labs at NAWCAD and is a sort of Omnibus solution to the technological change driving our business base. Each of the major platforms are driving technology towards what industry offers under Commercial Off-the-Shelf (COTS)/Non Development Item (NDI). In order for these multi million dollar facilities to keep pace with the changing technological environment, we need to upgrade and add new systems to our inventory and meet the challenges of Sea Power 21, FORCENET, and NAVAIR's vision. This project covers all the major Platform labs at NAWCAD and will have the same capability as the rest of the labs. This 'virtual' single lab concept benefits both NAWCAD and the Warfighter and falls in line with NAVAIR 1.0 Vision of Agility, Cost Containment, Readiness, Alignment, and supporting Fleet driven metrics.
2. Our current Commercial of the Shelf Software (COTS)/NDI Lab assets are/or will be aging out over the next few years. Technology is changing at a more rapid pace, further pushing our systems out-of-date. Meanwhile through the Sea Power 21 and FORCENET, the platforms we support are integrating more and more of this technology into their traditional proprietary platforms and increasing their dependence on networked systems. By upgrading our facilities into multi use facilities, we can provide both our NAVAIR customers and our fleet users assets to make their job easier and give the war fighter the tools he needs. This type of system will assist us to meet the new NAVAIR 1.0 Vision as well as support the development of Sea Power 21.
3. An economic analysis has been performed for this project included in this capability.
4. The anticipated cost saving/avoidance for the equipment in this capability will begin in the next fiscal year. Generally the savings/avoidance will start with the installation of the procured item and continue throughout its life.
5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and warfighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

FY2007-FY2009

Greater than \$1M:

ALRE Common Emulation System (ACES)

1. In support of the Naval Air Warfare Center Aircraft Division (NAWCAD) efforts in providing a shipboard representative environment for developing Naval Air Systems Command (NAVAIR) programs, Aircraft Launch and Recovery Common Emulation System (ACES) will supply simulators and equipment emulators for major air operations and weapons handling programs. Each simulator will consist of a mix of hardware and software and be modeled on the existing or planned capabilities of its respective program. Through the integrated environment provided by NAWCAD's Systems and Technology Hardware/Software Integration Simulator (SYNTHESIS), all simulators will have the ability to accept commands and information from partner programs (or their simulators) and provide feedback that emulates real data. When required by a given program, to assist in testing, to prove concepts, or to assist in troubleshooting shipboard issues, these simulators will connect to the Research, Development Test and Evaluation (RDT&E) network to help provide the "look and feel" of a ship's NAVAIR Air Operations environment.

2. The criticality of Aircraft Launch and Recovery Equipment (ALRE) and ALRE information systems in the launch and recovery of aircraft requires safety to be a major concern of testing. Without a full suite of intelligent simulators, testing and troubleshooting must continue in the operational environment aboard ship without the benefits of discoveries being uncovered in a simulated Air Operations environment at NAWCAD, while protecting personnel and equipment from the hazards of real world testing. ACES, coupled with SYNTHESIS and the simulation capabilities of newer and emerging programs, will provide NAWCAD with the ability to fully determine the total Air Ops integration issues early enough in a program to avoid unnecessary costs associated with prototyping, testing, equipment deliveries, ship alterations, and travel. ALRE projects proposed for the ACES environment include Electromagnetic Aircraft Launch System (EMALS), Advanced Arresting Gear (AAG), Advanced Recovery Control (ARC), Visual, Integrated Shipboard Information System (ISIS), Moriah, Aviation Weapons Information Management System (AWIMS) and Improved Fresnel Lens Optical Landing System (IFLOLS). Incorporation of two e-business projects (AUTOREAD and ASRL-W) will also benefit and incorporated into ACES.

3. An economic analysis has been performed for this project included in this capability.

4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.

5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

FY2007-FY2009

Greater than \$1M:

Advanced Diagnostic Simulator

1. The purpose of this project is to procure an advanced avionic simulator to enhance the development of avionic diagnostics across all Naval Air Warfare Center Aircraft Division (NAWCAD) platforms. We plan to build an MH-60S/R simulator that will reside in our state of the art laboratory at NAWCAD. This simulator will allow us to develop innovative diagnostic procedures which will include tools such as a case based reasoned, neural networks and synthetic instrument applications. The aim of our research is to develop an advanced diagnostics tool that can be used across all NAWCAD platforms.
2. Presently there is a great disparity across NAWCAD platforms when it comes to diagnostics. Some platforms like the H-60 are developing advanced diagnostics, while other platforms like the E-2C, or V-22 have none. We want to use the diagnostics developed by the H-60 program as a springboard for future advancements in the diagnostics field. With our avionics simulator, we plan on leading the way in the development of diagnostics that can be applied to any platform.
3. An economic analysis has been performed for this project included in this capability.
4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.
5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

FY2007-FY2009

Greater than \$1M:

Integrated Battlespace Arena (IBAR) Computer Replacements/UAV Lab (Phase 1 of 4)

1. The Integrated Battlespace Arena is a collection of several laboratories and facilities that is dedicated to battlespace engineering investigations at all levels of Research, Development, Test and Evaluation (RDT&E). The limitations of current computational equipment in terms of capability and supportability is taxing the ability of the Integrated Battlespace Arena to meet the needs of current and future program requirements. The multiyear equipment upgrade program will provide the needed processing, scene generation, and data backup improvements.
2. The current simulation requirements from the broad IBAR customer base continues to tax the current capability of the various IBAR components. The high performance computing capability acquired in 1999 has an average lifespan of three to five years. It has been seven years since this computing capability has become relied upon by not only the IBAR, but by the science and technology initiatives throughout Code 4.7. The Silicon Graphics, Inc. (SGI) computers procured in 1999 are no longer supported by SGI and must be replaced. In addition, as program dollars become increasingly scarce and the need to reduce the number of in-flight and live-fire tests increases, reliance on the IBAR will also increase.
3. An economic analysis has been performed for this project included in this capability.
4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.
5. If investment is not made, old outdated equipment will continue to be used to support operations and critical tests.

FY2007-FY2009

Greater than \$1M:

Corporate Legacy SUN/NT Consolidation

1. The purpose of this project is to upgrade and consolidate selected Naval Air Warfare Center Aircraft Division (NAWCAD) Windows NT and SUN servers. The SUN's Enterprise E25K and E6800 series servers offer dynamic system domains and system partitioning that creates self-contained servers within a single physical server. Processors, memory, and input/output (I/O) can be expanded seamlessly and transparently, with linear increases in overall system, user, and application performance. Mainframe like partition capabilities permit extremely flexible processor and memory configurations that improve resource management and availability. Currently NAWCAD has 200 NT servers that service web sites, imaging services, workflow, and databases. These mid-tier NT servers will be at the end of their useful life and require upgrading and/or replacement in order to support current and future NAWCAD corporate database requirements. Chief Naval Operations (CNO) and Navy Marine Corp Intranet (NMCI) architectures like Task Force Web, Public Key Infrastructure (PKI), Corporate Portals, Enterprise Resource Planning (ERP), etc., will require increased server capacity and speed to support a multiple tier applications environment.
2. The current system consists of 30 SUN UNIX servers that interact with each other. This causes increased network traffic and slower processing times for the end-user. The goal of this project is to manage resources at an optimal service level for the lowest possible cost to the organization thereby improving efficiencies. In addition, the distributed systems cause many users to perform double duties as System Administrators. When systems are consolidated, an experienced System Administrator can do a much better job of bringing together multiple, disparate platforms and run them as a single, seamless environment. The System Administration staff can be decreased, as the amount of servers decrease. Historically, NAWCAD has purchased two servers per year to cover the expanding user requirements. This will reduce the number of hardware and software platforms that are required and can apply standardized procedures and disciplines to a streamlined, re-centralized environment. Furthermore, the current space for servers is limited. If NAWCAD had one system, it would decrease the amount of floor space needed to house the equipment. Last, the corporate NT servers will need to be upgraded and/or replaced due to performance requirements and the increased customer's usage of the servers. This will cause the labor and hardware maintenance to cost more than the new system by FY 2008.
3. An economic analysis has been performed for this project included in this capability.
4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.
5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008								
Department of the Navy / Research and Development / Naval Air Warfare Center			#002 - ADPE and Telecommunications Capabilities/Operating Capabilities			NAWC					
ADPE and Telecommunications Equipment			FY 2007		FY 2008		FY 2009				
			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Computer Software (Operating System)			1		392	1		1,254	2		1,314
Total			1		392	1		1,254	2		1,314
Justification:											

FY2007-FY2009

Greater than \$1M:

Application Software Architecture Refreshment

1. The purpose of the Applications Software Architecture Refreshment is to provide adequate Application Server platform to comply and “stay ahead of the curve” of Industry technical advancements. As software technology evolves into application integration and web services, it is critical that the development expertise in this area is followed by the appropriate software (Application Platform Suite) architecture refreshment. Dell, Oracle, Sun Microsystems, Business Objects, Cold Fusion, Visual Basic, Systems Applications and Products in data processing (SAP) and others, are leaders in this market, and Naval Air Systems Command (NAVAIR) must have adequate technology refreshments to maximize the effect that Information Technology provides to the corporation. The proper implementation of these software architecture refreshments will reduce stovepipes and maximize reusability and interoperability, therefore creating efficiencies.

2. Current application platform technology used is outdated. If Information Technology fails to adequately provide new technology to our customers, we will be unable to meet customer requirements in the future. In the past, application platform suites were chosen for various application architectures without regard for security, established standards, or compliance with Department Of Defense (DOD) mandates, i.e. Navy Marine Corps Intranet (NMCI), Public Key Encryption (PKE), etc. This project will evaluate and select the appropriate application platform suite for the Information Technology/Information Management NAVAIR corporate applications, as well as upgrade the existing hardware infrastructure to support this technology. We will then be in a position to meet our customer's requirements, with a software technology which meets DOD requirements for security and architecture compliance. The project will provide a refreshment of the software infrastructure, and provide savings for software operation, training, and maintenance costs.

3. An economic analysis has been performed for this project included in this capability.

4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.

5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008						
Department of the Navy / Research and Development / Naval Air Warfare Center	#002 - ADPE and Telecommunications Capabilities/Telecommunications					NAWC			
ADPE and Telecommunications Equipment	FY 2007			FY 2008			FY 2009		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Telecommunications	3		2,735	2		2,150	1		650
Total	3		2,735	2		2,150	1		650
Justification:									

FY2007-FY2009

Greater than \$1M:

RDT&E Technology Refresh

1. This submission is for a multi-year upgrade/replacement of the transmission equipment on the Research, Development, Test, and Evaluation (RDT&E) network. The RDT&E environment provides connectivity for Pax River engineering and scientific requirements that cannot be met by Naval Marine Corp Internet (NMCI). The upgrade/replacement will happen over a two year period with one year focusing on the unclassified environment and the second year focusing on the classified environment.

2. The current transmission equipment on the RDT&E network was procured in the mid 1990's. This equipment is reaching end of service life and will no longer be supported by the manufacturer resulting in rapidly increasing maintenance costs until the manufacturer refuses to support the equipment at all. Also, since this equipment is not of the latest technology, the RDT&E team will be forced to build separate technology solutions to meet each engineering requirement resulting in much higher hardware investments and maintenance costs than an integrated solution would cost. This submission will upgrade/replace the existing transmission equipment with a state of the art system that will support the engineering requirements for the next 5 to 10 years.

3. An economic analysis has been performed for this project included in this capability.

4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.

5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

FY2007-FY2009

Greater than \$1M:

SI Fiber Extension

1. This submission is the second and final part of a multi-year project to provide an Engineering Local Area Network (LAN) throughout the Naval Air Warfare Center Aircraft Division (NAWCAD) Webster Field Annex to support the engineers. The first phase titled Engineering LAN Technology Refresh was executed in FY2005 and provided the electronics to modernize the network while this submittal is targeted towards upgrading the cable plant. The current data, video and voice cable plants are at the end of their life cycle and there is no room for expansion. It is essential to replace those existing plants with an integrated, state-of-the-art fiber optic system. The emerging high bandwidth information transfer technologies supporting both project and engineering requirements will only run on fiber making this purchase essential in positioning NAWCAD with a competitive advantage in terms of attracting the already declining Department of Defense (DoD) and Research, Development, Test, and Evaluation (RDT&E) project dollars.
2. Webster Field Annex has a requirement to support the real-time availability of scientific and laboratory simulation data such as acoustics, flight, weapons systems and sensor testing. In order to effectively share this volume of information, as well as other general engineering, a modern, high-speed, expandable communications infrastructure is required. The current capability at Webster Field will not allow the labs and engineering community to collaboratively perform tasks with the labs at the NAWCAD main campus. The current system is unable to meet the Protected Distribution System (PDS) requirements for unencrypted classified data between labs. With the installation of the new fiber optic technology, a fiber system meeting the PDS requirements will be installed.
3. An economic analysis has been performed for this project included in this capability.
4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.
5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

FY2007-FY2009

Greater than \$1M:

Fiber Optic Expansion

1. The Fiber Optic Expansion project is designed to extend existing fiber optic network distribution to the Engineering competencies that are not currently supported by the current network. In addition, the new fiber optic expansion project will ensure backup fiber optic paths that connect telephone and data path redundancy to ensure that there is not any cable disruption by cable cuts and other unplanned damage.
2. The proposed expansion will shore up capacity, connect existing and planned areas of Research, Development, Test, and Evaluation (RDT&E) engineering programs, and allow continued development and simulation of actual proposed deployment models. Cost reductions will occur due to reduction in maintenance costs on the existing fiber optic system due to backup fiber optic path. Finally, the business unit will be able to standup new command and control ship representative systems, as well as deployed system troubleshooting. This is all due to updated access via fiber optic cables. Upgraded core communications infrastructure will provide path backups to mitigate power outage risks and improve the quality of service.
3. An economic analysis has been performed for this project included in this capability.
4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.
5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008								
Department of the Navy / Research and Development / Naval Air Warfare Center			#002 - ADPE and Telecommunications Capabilities/Other			NAWC					
ADPE and Telecommunications Equipment			FY 2007			FY 2008			FY 2009		
			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Other Computer & Telecommunications Spt Equipment			3		1,348	2		849	5		2,751
Total			3		1,348	2		849	5		2,751
Justification:											

FY2007-FY2009

Greater than \$1M:

Infrastructure Streamlining

1. The Infrastructure Streamlining project will enable the Naval Aviation enterprise to draw together disparate databases and websites across 16 advanced engineering sites nation-wide into a single portal of access of authorized personnel to technical information across the enterprise. This will enable a more robust online collaborative engineering capability for development and delivery of both advanced air warfare information networks and kinetic kill systems to the Fleet in support of Sea Power 21. This project will provide the Naval Air Systems Command (NAVAIR) engineering competency and Fleet technical personnel with a Network Centric capability for handling information to enhance current and future Fleet readiness. The hardware and software for this project will reside at the NAWCAD which will increase the NAWCAD business base. Much of the data is classified and will require servers that are isolated to handle classified data.
2. There are thousands of applications and databases across the NAVAIR enterprise, many with redundant information and functionality that tend to serve narrow segments of the total enterprise. The expense required to operate and maintain the plethora of disparate information sources is draining precious resources from the enterprise and impeding NAVAIR's efficiency and effectiveness in enhancing current and future Fleet readiness. Adopting a proven "best practices" model from government and industry, the Infrastructure Streamlining project will enable information to be used far more efficiently and effectively, shortening product development cycle times, and substantially reducing the cost burden to operate and maintain the Naval Aviation information infrastructure.
3. An economic analysis has been performed for this project included in this capability.
4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.
5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and warfighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

FY2007-FY2009

Greater than \$1M:

Operations Research Immersive & Optimization Network

1. Operations Research Immersive and Optimization Network (ORION) is necessary to support Naval Air Warfare Center Aircraft Division's (NAWCAD) effort to use modeling and simulation to analyze, and streamline aviation shipboard operations. ORION provides the resources to visualize the ship state dynamically as various ship systems are exercised, straining both physical space and personnel resources. An immersive presentation technique allows SMEs to easily see what is going on, experience the problem, and possibly formulate a solution without ever reading a simulation report, or viewing model data.
2. The Immersive Design and Optimization Environment (IDOS) system that is currently employed to accomplish much of the visualization tasks at NAWCAD provides only one of a set of solutions to accomplish the visualization, and is currently capable of helping a single customer at a time. ORION will provide additional services, for more simultaneous customers, more cheaply than before. Using the IDOS system users enter the Modeling and Simulation spaces in B678 at Lakehurst to collaborate on a design. These facilities will continue to be used, and will be revitalized with the addition of new more resolute projectors, and modern computer systems to drive them. ORION will augment this with new technologies such as stereo projection, head mounted displays, 3D plasma displays (which do not require glasses), Virtual Reality (VR) tablets, and Web technologies. All will enable the proper level of emersion to be provided to the customer, in a less restrictive manner than is currently possible, and in the location where the system is being tested. Two specific areas can finally be addressed. They are the maintenance and team VR. In addressing maintenance, VR can help with assembly issues, parts and tool placement, and space arrangement (as in weapon assembly magazines). Team VR is where each person can see the others but move and act independently in the environment. This will allow several designers to use the VR space as a team would on the ship. Today VR is generally used from a single person perspective. Web technologies will also be available in ORION. VR can then be more easily shared with remote sites with little or no specialized equipment, allowing more broadly based collaboration. Through the use of the existing network, these views of the ship's state will be synchronized, and present the same view to all those participating. These views of ship state will be generated by a series of process models, starting with the flight deck and working down to the lower levels of the ship (as in the case for weapons).
3. An economic analysis has been performed for this project included in this capability.
4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.
5. If investment is not made, NAWCAD will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008					
Department of the Navy / Research and Development / Naval Air Warfare Center	#003 - Software	NAWC					
Software		FY 2007		FY 2008		FY 2009	
		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Engineering Drawings and Technical Documents					1		455
Multispectral Image Processing and Advanced Tracking						1	450
TOTAL					1		455
Justification:							

Software: FY2007-2009

1. The objective of the Naval Air Warfare Center (NAWC) Research Development Test & Evaluation (RDT&E) Laboratory capability is to ensure Maritime Aviation supremacy against a broad range of current and future threats. NAWC provides a broad range of systems integration, communications, engineering, and technical solutions, ranging from strategic command and control and tactical warning and attack assessment, to test, training and evaluation. The success of the Navy mission requires exploration, leveraging and prioritization of naval requirements by scientists and engineers working in NAWC Research and Development Laboratories and Facilities. These laboratories and facilities are an integral component of the technical competence and ability of the scientists and engineers to meet Fleet requirements and provide critical enhancements to multi-mission and multi-role capable manned and unmanned aircraft.
2. The benefits of the proposed technical capital investments at NAWC laboratories and facilities will effect measurable increases in the safety, agility and combat effectiveness of sailors and marines. The goal is to provide technology based options for future maritime capabilities and insert technologies into development and acquisition programs that address current and emerging naval aviation needs. These RDT&E laboratories fill voids in certain Navy requirements that private sector centers cannot meet. NAWC labs enable the achievement of a more effective and efficient U.S. Navy and Marine Corps war fighting force.
3. An economic analysis has been performed for each of the individual projects included in this capability.
4. The anticipated cost avoidance for the equipment in this capability will begin in the next fiscal year.
5. If investment is not made, NAWC will deleteriously impact Chief of Naval Operations (CNO) vision of increasing capabilities in aircraft carriers, networks, sensors, weapons, platforms and have a significant negative result on the success, efficiency and war fighting effectiveness of the Navy. This will also decrease innovative affordable technologies to the Fleet which support our nation's defense strategy and goals and reduce overall Naval war fighting effectiveness.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			Fiscal Year (FY) 2009 Budget Estimates Program/Budget Estimates February 2008						
Department of the Navy / Research and Development / Naval Air Warfare Center	#004 - Minor Construction					NAWC			
Minor Construction	FY 2007			FY 2008			FY 2009		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement	3		1,600	3		1,230	1		700
Productivity									
New Mission	13		4,910	8		1,450	10		5,088
Environmental									
Total	16		6,510	11		2,680	11		5,788
Justification:									

Minor Construction: FY2007-FY2009

Replacement

Minor Construction is used by the Naval Air Warfare Center (NAWC) to replace obsolete facilities, provide greater security, and improve efficiency. In addition, Minor Construction is used by NAWC to modify existing spaces and construct new facilities to provide suitable space to research, develop, acquire, test and evaluate aircraft systems (often in a secure environment) and weapons systems for the Warfighters.

FY 2007: The projects consist of a four labs and one administrative facility that supports weapons system research. In addition, the NAWC also has a Primary Computing Facility Electrical Generator and a Lean-to Refurbishment in support of aircraft and fleet integration research. Planning and design costs for FY 2007 are included.

FY 2008: The projects consist of a Broad Area Maritime Surveillance (BAMS) Facility to support ship/aviation integration advanced research and a Security and Safety Building. Planning and design cost for FY 2008 are included.

FY 2009: The projects consist of an upgrade to a Jet Car Track Upgrade Facility to support aircraft carrier systems research. Planning and design cost for FY 2009 are included.

Productivity

Minor Construction is used by the Naval Air Warfare Center (NAWC) to replace obsolete facilities, provide greater security, and improve efficiency. In addition, Minor Construction is used by NAWC to modify existing spaces and construct new facilities to provide suitable space to research, develop, acquire, test and evaluate aircraft systems (often in a secure environment) and weapons systems for the Warfighter.

FY 2007: Not Applicable.

FY 2008: Not Applicable.

FY 2009: The purpose of this project is to recapitalize 5,000 square feet of High Bay Laboratory space. The space is configured in such a way that it cannot be utilized by any other program that the NAWC has current workload requirements. This project would enable NAWC to create a High Bay environment for new modeling and simulation requirements within NAWC's Research, Development, Test, and Evaluation (RDT&E) Competencies. Planning and design costs for FY 2009 are included.

New Mission

Minor Construction is used by the Naval Air Warfare Center (NAWC) to replace obsolete facilities, provide greater security, and improve efficiency. In addition, Minor Construction is used by NAWC to modify existing spaces and construct new facilities to provide suitable space to research, develop, acquire, test and evaluate aircraft systems (often in a secure environment) and weapons systems for the Warfighter.

FY 2007: The projects consist of a new Paint and Powder Coating Facility and an addition to a lab facility for advance systems research. In addition, the NAWC also has projects that will construct administrative, laboratory, and engineering spaces for the Unmanned Air Systems (UAS). Planning and design costs for FY 2007 are included.

FY 2008: The projects consist of the design costs for a laboratory storage facility and an exclusive fire systems research and test facility for large aircraft. In addition, the NAWC also has administrative, laboratory, and engineering spaces for the Joint Reprogramming Center. Planning and design costs for FY 2008 are included.

FY 2009: The projects consist of a storage facility, an antenna group test tower, expansion of two engineering buildings, and a laboratory storage facility in support of unmanned combat aircraft systems (N-UCAS) development and engineering and thermal detonation research. Planning and design costs for FY 2009 are included.

Impact to NAWC if these projects are not accomplished would be the inability to comply with Commander, Navy Installations (CNI) mandated reduction of temporary facilities, Secretary of Navy (SECNAV) FY 2006 Energy policy, and the engineering mission of the NAWCAD.

None of the minor construction projects will exceed the current Military Construction (MILCON) threshold.

FY 2009 PRESIDENT'S PROGRAM/BUDGET ESTIMATES
DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT - NAVAL AIR WARFARE CENTER
CAPITAL BUDGET EXECUTION
(DOLLARS IN MILLIONS)
FY 2008

ITEM LINE #	ITEM DESCRIPTION						Approved Proj Cost	Change	Current Estimate	Classification of Change	Explanation/Reason for Change	
1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)												
4	WD	8	EL	8037	P	P	WIDE BANDWITH LOS COMMS GROUND TEST SYSTEM	1.200	.300	1.500	Price Increase	Increase in project costs since initial budget estimate. (.300 from 4WD8EL8036PR)
4	WD	8	EL	8026	P	R	HIGH ENERGY LASER SYSTEM RESEARCH LAB	.800	.000	.800	Cancellation	Management Decision to cancel project due to higher priority emergent requirements. (.300 to 4WD8EL8037PN); (.200 to 4WD9EL9023PN); (.200 to 4WE8EL8043PR)
4	WD	8	EL	8036	P	R	DEVELOP AIR PLATFORM INTEROPERABILITY LAB	.700	(.700)	.000		
4	WD	8	EL	8038	P	R	HIGH SPEED DIGITAL VIDEO	.600	.000	.600	New New	New emergent requirement to support the Fleet. (.200 from 4WD8EL8036PR) New emergent requirement to support the Fleet. (.200 from 4WD8EL8036PR)
4	WD	8	EL	8034	P	R	NANO PLASMONIC/NANO PHOTONIC LAB EQUIPMENT	.581	.000	.581		
4	WD	8	EL	8027	P	R	474/477 ENERGETICS REVITALIZATION EQUIPMENT (PHASE 1)	.500	.000	.500		
4	WD	8	EL	8035	P	R	RF CHAMBERS EQUIPMENT LAB UPGRADE (PHASE 1)	.405	.000	.405		
4	WD	9	EL	9023	P	R	UAS SUPPORT ACTIVITY (UASSA) EQUIPMENT	.000	.200	.200		
4	WE	8	EL	8043	P	R	AEA INTERFERENCE REDUCTION LAB	.000	.200	.200		
SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)							4.786	.000	4.786			
1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)												
NN	EU	0000					17.997	.267	18.264	Cancellation	DoD FMR change to capital investment threshold.	
2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM							22.783	.267	23.050			
3. MINOR CONSTRUCTION												
NN	MC	0000					2.680	.000	2.680			
TOTAL NON-ADP CAPITAL PURCHASES PROGRAM							25.463	.267	25.730			
1a. ADPE & TELECOMMUNICATIONS (>\$1M)												
Computer Hardware (Production)												
4	AB	8	KL	4813	P	N	ADVANCED DIAGNOSTIC SIMULATOR	2.555	.000	2.555	Cancellation	DoD FMR change to capital investment threshold.
7	AA	8	TL	7412	G	R	SI FIBER EXTENSION	1.500	.000	1.500		
7	AA	8	KL	724C	G	P	CORPORATE LEGACY SUN/NT CONSOLIDATION	1.350	.000	1.350		
7	AA	8	KL	7B34	G	P	APPLICATION SOFTWARE ARCHITECTURE REFRESHMENT	1.254	.000	1.254		
4	AB	7	KL	4830	P	N	ALRE COMMON EMULATION SYSTEM (ACES)	.976	.000	.976		
4	AA	6	KL	4130	P	P	PLATFORM LABORATORIES MARITIME SURVEILLANCE AIRCRAFT UPGRADE	.455	.000	.455		
5	WD	6	KL	6001	P	R	INTEGRATED BATTLESPACE ARENA (IBAR) COMPUTER REPLACEMENTS/UAV LAB (PHASE 1 of 4)	.400	.000	.400		
SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)							8.490	.000	8.490			
1b. ADPE & TELECOMMUNICATIONS (<\$1M)												
NN	KU	0000					2.951	(.267)	2.684	Cancellation	DoD FMR change to capital investment threshold.	
2. TOTAL ADPE & TELECOMMUNICATIONS							11.441	(.267)	11.174			
3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)							.000	.000	.000			
3b. SUBTOTAL SOFTWARE DEVELOPMENT (<\$1M)												
NN	DU	0000					.455	.000	.455			
3. TOTAL SOFTWARE DEVELOPMENT							.455	.000	.455			
TOTAL ADP CAPITAL PURCHASES PROGRAM							11.896	(.267)	11.629			
GRAND TOTAL CAPITAL PURCHASES PROGRAM							37.359	.000	37.359			

FY 2009 PRESIDENT'S PROGRAM/BUDGET ESTIMATES
DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT - NAVAL AIR WARFARE CENTER
CAPITAL BUDGET EXECUTION
(DOLLARS IN MILLIONS)
FY 2009

ITEM LINE #	ITEM DESCRIPTION					Approved Proj Cost	Change	Current Estimate	Classification of Change	Explanation/Reason for Change
1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)										
5	WE	9	EL	9024	P R	1.500	(.400)	1.100	Deferral	Deferral to FY 2010 based on a Management decision to raise the priority of other projects not currently funded (.282 to 4WE8EL8043PR, .118 to 4WD9EM9043PN)
4	WE	9	EL	9027	P R	1.000	.000	1.000		
4	WD	9	EL	9023	P N	.750	(.200)	.550	Moved	Moved .200 to FY 2008 to begin project one year sooner than originally budgeted due to emergent requirements. (.200 to 4WD9EM9043PN)
4	WD	8	EL	8027	P R	.750	.000	.750		
4	WD	8	EL	8034	P R	.609	.000	.609		
4	WD	8	EL	8038	P R	.600	.000	.600		
4	WD	8	EL	8036	P R	.568	(.568)	.000	Cancellation	Management reviewed the project and determined that it does not meet the current business requirements. (.568 to 4WE8EL8043PR)
4	WD	8	EL	8035	P R	.378	.173	.551	Price Increase	Price Increase in costs for the project since the original budget estimate. (.173 from 4WD9ES9022PR)
4	WD	8	EL	8026	P R	.300	(.300)	.000	Cancellation	Management reviewed the project and determined that it does not meet the current business requirements. (.300 to 4WD9ES9040PR)
4	WE	8	EL	8043	P R	.000	.850	.850	New	Management reviewed the requirements and raised the priority of this project. (.568 from 4WD8EL8036PR, .282 from 5WE9EL9024PR)
SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)						6.455	(.445)	6.010		
1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)										
NN	EU	0000				13.024	.211	13.235	Cancellation/ New/Deferral	DoD FMR change to capital investment threshold; Management reviewed the requirements of various projects and raised their priorities; Various projects will start in FY 2010. Management needed to place emergent requirements of a higher priorities in FY 2009; Various projects were cancelled due to Management reviewing the projects and determining that it does not meet the current business requirements.
2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM						19.479	(.234)	19.245		
3. MINOR CONSTRUCTION										
NN	MC	0000				6.016	.072	6.088	New	The Facility Infrastructure Team added the Plan and Design costs for six planned Facilities. (.072 from 4WD9ES9031PR)
TOTAL NON-ADP CAPITAL PURCHASES PROGRAM						25.495	(.162)	25.333		
1a. ADPE & TELECOMMUNICATIONS (>\$1M)										
Computer Hardware (Production)										
4	AB	8	KL	4813	P N	1.450	.000	1.450		
4	AB	9	KL	4831	P P	1.000	.000	1.000		
4	AA	6	KL	4130	P P	.381	.000	.381		
5	WD	6	KL	6001	P R	.400	.000	.400		
SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)						3.231	.000	3.231		
1b. ADPE & TELECOMMUNICATIONS (<\$1M)										
NN	KU	0000				4.791	.162	4.953	New/Cancellation	Management reviewed the requirements and raised the priority of this project. (.213 from 4WD9ES9032PR, .160 from 4WD9ES9031PR, .027 from 4WD9ES9022PR); DoD FMR change to capital investment threshold. Various new emergent projects that are = to or greater than \$250K replaced the items removed.
2. TOTAL ADPE & TELECOMMUNICATIONS						8.022	.162	8.184		
3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)						.000	.000	.000		
3b. SUBTOTAL SOFTWARE DEVELOPMENT (<\$1M)										
NN	DU	0000				.745	.000	.745		
3. TOTAL SOFTWARE DEVELOPMENT						.745	.000	.745		
TOTAL ADP CAPITAL PURCHASES PROGRAM						8.767	.162	8.929		
GRAND TOTAL CAPITAL PURCHASES PROGRAM						34.262	.000	34.262		

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NAVAL SURFACE WARFARE CENTER

Naval Surface Warfare Center

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

**RESEARCH AND DEVELOPMENT
NAVAL SURFACE WARFARE CENTER**

Mission Statement / Overview

The Naval Surface Warfare Center (NSWC) provides research, development, test and evaluation; in-service engineering; and fleet and integrated logistic support for surface ship combat systems, surface and mine warfare combat systems, ordnance, explosive ordnance disposal technology, mines, amphibious warfare systems, mine countermeasures, special warfare and strategic systems, systems interfaces, weapon systems and subsystems, unique equipment and related expendable ordnance of the Navy surface fleet. In addition, they provide primary technical capability in energetics through engineering, fleet and operational support, manufacturing technology, limited production, industrial base support and research, development, test and evaluation for energetic materials, ordnance devices and components and related ordnance engineering standards.

Activity Group Composition:

The Center is comprised of eight operating divisions whose operations and locations are described briefly below. This budget submission reflects the inclusion of Explosive Ordnance Disposal (EOD) Technical Division in FY 2008 and the separation of Panama City from the Dahlgren Division in FY 2009.

CARDEROCK DIVISION: The mission of this division is to provide research, development, test and evaluation, fleet support and in service engineering for surface and undersea vehicle hull, mechanical and electrical (HM&E) systems and propulsors, provide logistics R&D and provide support to the Maritime Administration and Maritime Industry. The division has major operating sites at Carderock, MD and Philadelphia, PA with smaller operating sites at Ft. Lauderdale, FL; Memphis, TN; Norfolk, VA; Bremerton, WA, and Bayview, ID.

CORONA DIVISION: The mission of this division is to gauge the war fighting capability of ships and aircraft, from unit to battle group level, by assessing the suitability of design, the performance of equipment and weapons, and the adequacy of training. The division has one primary operating site, Corona, CA, with a small engineering site at Seal Beach, CA.

CRANE DIVISION: The mission of this division is to provide engineering and industrial support of weapons systems, subsystems, equipment and components.

Primary product areas of expertise include: electronic warfare, gun and gunfire control systems, microelectronics components, electronic module test and repair, microwave components, electromechanical power systems, acoustic sensors, small arms, conventional ammunition, radars, and pyrotechnics. The division has one primary operating site, Crane, IN, with a small engineering site at Fallbrook, CA.

DAHLGREN DIVISION: The mission of this division is to provide research, development, test and evaluation, engineering and fleet support for surface warfare systems, surface ship combat systems, ordnance, mines and mine counter measures, amphibious warfare systems, special warfare systems, strategic warfare systems, and diving. The division has three primary operating sites, Dahlgren, VA; Panama City, FL and Dam Neck, VA.

INDIAN HEAD DIVISION: The mission of this division is to provide technical capabilities in energetics for all warfare centers and to provide special weapons, explosive safety and ordnance environmental support to all warfare centers, the military departments and ordnance industry. The primary site of operations is Indian Head, MD; with smaller operations at Yorktown, VA; MacAlester, OK, and Earle, NJ.

PORT HUENEME DIVISION: The mission of this division is to provide test and evaluation, in service engineering and integrated support for surface warfare systems, system interface, weapons systems and subsystems, unique equipments, and related expendable ordnance of the surface fleet. The primary operating site is Port Hueneme, CA. The division also operates small detachments in San Diego, CA; Louisville, KY, and Dam Neck, VA.

EXPLOSIVE ORDNANCE DISPOSAL TECHNOLOGY DIVISION: The mission of this division is to be responsible for providing EOD technology and logistics management for the Joint Services, and developing war essential elements of intelligence, equipment, and procedures to counter munitions, both U.S. and foreign, as required to support DOD components and the security needs of other agencies. The EOD Technology Division is responsible for providing ground based counter Radio-Controlled IED Electronic Warfare (CREW) Technology, and to support the Executive Manager for EOD Technology and Training in his Joint Forces role. The primary operating site is Rison, MD.

PANAMA CITY DIVISION: The mission of this division is to conduct research, development, test and evaluation and in-service support of mine warfare systems, mines, Naval Special Warfare Systems, diving and life support systems, amphibious warfare systems and other missions that occur primarily in coastal (littoral) regions. Execute other responsibilities as assigned by COMNAVSURFWARCEN. The primary operating site is Panama City, FL.

Management Statement

This budget represents NSWC's financial operating plan for FY 2007 through FY 2009. Central to our strategy is the sustainment and development of critical core capabilities that support legacy and emerging systems in the Fleet. Critical to our vision is the need to acquire, train, and retain top quality, diverse, scientists and engineers and to maintain the corresponding infrastructure necessary to support the Navy's future strategic requirements.

The FY 2009 budget reflects both direct and overhead efficiencies that have been and will continue to be realized from utilizing Lean Six Sigma methodologies.

Significant Changes Since the FY 2008 President's Budget:

There are no significant changes in the activity group or composition since the FY 2008 President's Budget.

Financial Profile:

<u>Revenue/Expense/NOR/AOR (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$3,570.3	\$3,492.0	\$3,545.6
Expense	\$3,566.8	\$3,489.2	\$3,562.2
Operating Results	\$3.5	\$2.8	-\$16.6
Other Changes Affecting AOR	\$5.3		
Accumulated Operating Results (AOR)	\$13.8	\$16.6	\$0.0

Revenue and Expense: The trend in revenue and expense from year-to-year noted above reflects the Center's efforts to size itself to meet customer demand while becoming more efficient. The actual FY 2007 NOR reflects a gain of \$12.7M from the FY 2008 President's Budget. The budgeted FY 2008 NOR reflects a loss of \$1.3M from the FY 2008 President's Budget due to change in Capital Investment Program (CIP) threshold. The negative AOR recoupment in FY 2009 will return projected cumulative gains through FY 2008 and will achieve a zero Accumulated Operating Result balance in FY 2009.

Collections/Disbursements/Outlays

<u>(\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	\$3,548.7	\$3,492.0	\$3,545.6
Disbursements	\$3,545.8	\$3,551.9	\$3,559.4
Outlays	-\$2.9	\$59.9	\$13.8

Budgeted collections and disbursements are based on revenue, cost, and CIP outlay estimates.

Workload:

<u>Reimbursable Orders (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	\$3,477.1	\$3,504.2	\$3,521.9

For FY 2007, NSWC actual orders received was \$110M above the FY 2008 President's Budget. FY 2008 and FY 2009 funding is consistent with the FY 2008 President's Budget.

<u>Direct Labor Hours (000)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	20,634	20,294	19,762

The reduction in direct labor hours reflect efficiencies due to process improvements rather than reduced customer demands.

Performance Indicators:

The primary performance indicator is unit cost discussed in paragraph below. Unit cost represents the average cost of delivering goods and services to our customers. Increased employee compensation costs and inflation combined with reduced direct labor hours have yielded a higher unit cost over the budget period.

<u>Unit Cost</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Stabilized Cost (\$Millions)	\$1,870.4	\$1,873.9	\$1,907.9
Workload (DLHs) (000)	20,634	20,294	19,762
Unit cost (per DLH)	\$90.65	\$92.34	\$96.55

The Center's unit cost reflects a steady increase primarily due to reduced direct labor hours, increased employee compensation, and the change in CIP threshold. Reduced direct labor hours reflect efficiencies due to process improvements rather than reduced customer demands.

<u>Stabilized / Composite Rates</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Stabilized Rate	\$91.19	\$92.92	\$96.51
Change from Prior Year		+1.29%	+3.86%
Composite Rate Change		+1.8%	+2.90%

The FY 2009 average composite rate is slightly under the projected FY 2008 President's Budget; the decrease is primarily due to better than anticipated FY 2007 Net Operating Result (NOR).

Staffing:

<u>Civilian/Military ES & Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	13,954	13,777	13,378
Civilian Workyears (Straight-time)	14,077	13,870	13,570
Military End Strength	293	279	275
Military Workyears	205	239	236

Civilian Personnel: Projected end strength estimates through FY 2009 have been sized to meet funded workload and are consistent with efforts to achieve efficiencies associated with lean and other cost reduction initiatives. The operating efficiencies that result from implementing Lean Six Sigma process improvements will result in lower total cost to the customer and provide for a smaller civilian labor force that can accomplish mission requirements using fewer resources.

Military Personnel: Military workyears remain stable over the budget period.

Capital Investment Program (CIP) Budget Authority:

<u>Capital Investment Program (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment, Non-ADP / Telecom	\$13.1	\$19.9	\$17.4
Equipment, ADPE / Telecom	\$9.8	\$5.1	\$6.7
Software Development	\$3.5	\$1.6	\$1.0
Minor Construction	\$3.6	\$6.4	\$5.6
Total	\$30.0	\$33.0	\$30.6

The NSWC CIP program procures mission essential equipment to support a wide customer base and recapitalize mission facilities and equipment.

Carryover Compliance:

<u>Carryover (\$M)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
New Orders	\$3,477.1	\$3,504.2	\$3,521.9
Less Exclusions:			
Foreign Military Sales	\$143.7	\$112.4	\$125.8
Base Realignment and Closure	\$7.2	\$0.0	\$0.0
Other Federal Departments & Agencies	\$55.0	\$46.1	\$42.2
Non-Federal Agencies & others	\$37.9	\$58.3	\$59.7
Major Range & Test Facility Base	\$0.0	\$0.0	\$0.0
Orders for Carryover Calculation	\$3,233.3	\$3,287.4	\$3,294.2
Composite Outlay Rate	55.6%	55.4%	55.4%
Carryover Ceiling Rate	44.3%	44.6%	44.5%
Carryover Ceiling	\$1,435.4	\$1,467.5	\$1,467.9
Balance of Customer Orders at Year End	\$1,631.8	\$1,644.0	\$1,620.4
Less Work-in-Process	\$86.8	\$87.7	\$87.2
Less Exclusions			
Foreign Military Sales	\$242.5	\$212.2	\$196.8
Base Realignment and Closure	\$6.4	\$6.5	\$6.5
Other Federal Departments & Agencies	\$49.7	\$56.8	\$59.1
Non-Federal Agencies & Others	\$33.6	\$35.2	\$38.4
Major Range & Test Facility Base	\$0.0	\$0.0	\$0.0
Carryover Budget	\$1,212.8	\$1,245.6	\$1,232.4

Budgeted carryover is within the ceiling allowed by outlay rates.

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Revenue and Expenses
Activity: Naval Surface Warfare Center
February 2008
(\$ in Millions)

	FY 2007 CCN	FY 2008 CCN	FY 2009 CCN
Revenue:			
Gross Sales			
Operations	3,534.2	3,457.8	3,511.3
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	36.1	34.3	34.3
Other Income			
Total Income	3,570.3	3,492.0	3,545.6
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	15.6	14.7	15.1
Civilian Personnel	1,575.6	1,602.8	1,612.8
Travel and Transportation of Personnel	97.6	107.3	109.8
Material & Supplies (Internal Operations)	283.9	248.5	255.5
Equipment	68.0	97.6	98.5
Other Purchases from NWC	171.1	169.2	163.5
Transportation of Things	9.8	9.0	9.3
Depreciation - Capital	36.1	34.3	34.3
Printing and Reproduction	6.9	7.4	7.5
Advisory and Assistance Services	2.0	2.1	2.2
Rent, Communication & Utilities	44.8	78.2	76.1
Other Purchased Services	1,226.3	1,118.0	1,177.7
Total Expenses	3,537.8	3,489.2	3,562.2
Work in Process Adjustment	29.8	.0	.0
Comp Work for Activity Reten Adjustment	-.8	.0	.0
Cost of Goods Sold	3,566.8	3,489.2	3,562.2
Operating Result	3.5	2.8	-16.6
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	3.5	2.8	-16.6
Other Changes Affecting AOR	5.3	.0	.0
Accumulated Operating Result	13.8	16.6	.0

Exhibit Fund-14 Revenue and Expenses

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Sources of Revenue
Activity: Naval Surface Warfare Center
February 2008
(\$ in Millions)

	FY 2007 CON	FY 2008 CON	FY 2009 CON
	-----	-----	-----
1. New Orders	3,477	3,504	3,522
a. Orders from DoD Components	3,028	3,048	3,057
Department of the Navy	2,591	2,611	2,646
O & M, Navy	826	820	821
O & M, Marine Corps	40	25	24
O & M, Navy Reserve	12	16	16
O & M, Marine Corp Reserve	1	1	1
Aircraft Procurement, Navy	29	45	50
Weapons Procurement, Navy	39	70	69
Ammunition Procurement, Navy/MC	68	71	62
Shipbuilding & Conversion, Navy	299	322	333
Other Procurement, Navy	375	374	390
Procurement, Marine Corps	64	23	23
Family Housing, Navy/MC	0	3	3
Research, Dev., Test, & Eval., Navy	822	818	829
Military Construction, Navy	0	0	0
National Defense Sealift Fund	13	0	0
Other Navy Appropriations	3	25	25
Other Marine Corps Appropriations	0	0	0
Department of the Army	91	53	53
Army Operation & Maintenance	19	11	11
Army Res, Dev, Test, Eval.	24	17	17
Army Procurement	40	20	20
Army Other	7	5	5
Department of the Air Force	62	65	65
Air Force Operation & Maintenance	28	29	29
Air Force Res, Dev, Test, Eval.	16	17	17
Air Force Procurement	19	19	19
Air Force Other	0	0	0
DOD Appropriation Accounts	284	319	293
Base Closure & Realignment	7	0	0
Operation & Maintenance Accounts	43	39	40
Res, Dev, Test & Eval. Accounts	211	221	208
Procurement Accounts	24	56	41
Defense Emergency Relief Fund	0	0	0
DCD Other	-1	4	4
b. Orders from other WCF Activity Groups	213	239	237
c. Total DoD	3,241	3,287	3,294
d. Other Orders	237	217	228
Other Federal Agencies	55	46	42
Foreign Military Sales	144	112	126
Non Federal Agencies	38	58	60
2. Carry-In Orders	1,725	1,632	1,644
3. Total Gross Orders	5,202	5,136	5,166
a. Funded Carry-Over before Exclusions	1,632	1,644	1,620
b. Total Gross Sales	3,570	3,492	3,546
4. End of Year Work-In-Process (-)	-87	-88	-87
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-332	-311	-301
6. Net Funded Carryover	1,213	1,246	1,232

Note: Line 4 (End of Year Work-In-Process) is adjusted for Non-DoD, BRAC & FMS and Institutional MRIFB

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Changes in the Cost of Operations
Activity: Naval Surface Warfare Center
February 2008
(\$ in Millions)

	<u>Total Cost</u>
FY 2007 Actual	\$3,566.8
FY 2008 President's Budget	\$3,487.7
Estimated Impact in FY 2008 of Actual FY 2007 Experience	\$17.4
Price Changes	
Change in FY 2008 Civilian Pay Raise	\$5.4
Fuel Pricing	\$1.2
General Inflation	-\$7.2
Program Changes	
Workload	\$1.9
Change in Capital Investment Program (CIP) Threshold	\$1.7
Other Changes	
Overhead Non-Labor Efficiencies	-\$18.9
FY 2008 Current Estimate	\$3,489.2
Price Changes	
Annualization of Prior Year Pay Raises	
Military	\$0.1
Civilian	\$15.0
FY 2009 Pay Raises	
Military	\$0.4
Civilian	\$34.1
General Purchase Inflation	\$30.3
Working Capital Fund Price Changes	\$9.0
Fuel Price Changes	-\$0.2
Productivity Initiatives Lean Six Sigma	
Overhead Labor Efficiencies	-\$6.2
Overhead Non-Labor Efficiencies	-\$13.1
Program Changes	
Direct Workload	\$14.1
Other Changes	
Base Realignment and Closure	-\$4.9
Impact of One Less Day Paid	-\$6.1
Other	\$0.5
FY 2009 Current Estimate	\$3,562.2

Business Area Capital Investment Summary
Component: Department of the Navy
Business Area: Naval Surface Warfare Center - Research and Development
Fiscal Year (FY) 09 Budget Estimates - February 2008
(\$ in Millions)

Line Num	Description	FY 2007		FY 2008		FY 2009	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
1	Non ADP						
	Replacement	10	4.170	19	8.511	15	7.092
	Productivity	10	3.618	11	8.232	12	7.833
	New Mission	5	4.810	8	3.200	4	2.181
	Environmental	1	0.460			1	0.304
	Non ADP Total:	26	13.058	38	19.943	32	17.410
2	ADP						
	Hardware	15	9.809	8	3.705	11	5.758
	Telecommunications Equip.			2	0.725	1	0.325
	Other Support Equip.			1	0.650	2	0.620
	ADP Total:	15	9.809	11	5.080	14	6.703
3	Software						
	Enterprise Search and Reporting			1	0.975	1	0.950
	Advanced Content Management	2	1.500				
	Virtual ISE (In-Service Engineering)	2	1.500				
	Software Projects < \$1.000M	1	0.500	2	0.640		
	Software Total:	5	3.500	3	1.615	1	0.950
4	Minor Construction						
	Replacement	4	1.016	2	1.232	1	0.150
	Productivity	8	2.553	12	4.930	9	3.775
	New Mission			3	0.240	3	1.642
	Environmental	1	0.070				
	Minor Construction Total:	13	3.639	17	6.402	13	5.567
	Grand Total:	59	30.006	69	33.040	60	30.630
	Total Capital Outlays:		26.783		32.220		32.220
	Total Depreciation Expense:		36.112		34.253		34.315

Business Area Capital Investment Justification (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 2009 Budget Estimates						
B. Department of the Navy/Naval Surface Warfare Centers/February 2008	C. Line# and Description 1 - Non ADP - Replacement			D. NSWC					
	FY 2007			FY 2009			FY 2010		
Non ADP	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement	10	417	4,170	19	448	8,511	15	473	7,092
Total	10		4,170	19		7,092	15		7,092

Replacement Equipment:

These Non-ADP equipment investments support the replacement of mission essential research, development, test and evaluation equipment that is unsafe, beyond economical repair, technically obsolete, or otherwise unusable. Replacement equipment supports Warfare Center Core Equities including ship/ship systems, ship weapon systems, ship combat systems, ordnance, and littoral combat systems. Equipment supporting this mission includes explosive detection equipment, ship hull test equipment, and test and evaluation equipment for various surface ship systems. Based on useful life guidance provided by the Office of Personnel Management (OPM) (via circular A-94) all investments replace equipment beyond the original intended life cycle.

Benefit:

Mission essential research and development equipment must operate at optimal efficiency to achieve proper test and evaluation results. Equipment is replaced with modern reliable equipment to support the research and development mission of the Naval Warfare Centers.

Impact of not Funding:

The Naval Surface Warfare Center activities are responsible for new product testing as well as system In-Service-Engineering research and development. The ability of the Surface Warfare Centers to provide mission essential research and development for new systems Mission essential investments for replacement of equipment will not be made, resulting in work that produces obsolete results to the scientific community, economically inefficient operation, and possible risk to human life.

Economic Analysis: There are no projects with an individual cost greater than \$1,000K. An economic analysis was performed on all individual projects. The useful life for these projects is 10 years and the average payback period is 3.53 years.

Business Area Capital Investment Justification (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 09 Budget Estimates						
B. Department of the Navy/Naval Surface Warfare Centers/February 2008	C. Line# and Description 1 - Non ADP - Productivity			D. NSWC					
	FY 2007			FY 2008			FY 2009		
Non ADP	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Productivity	10	362	3,618	11	748	8,232	12	653	7,833
Total	10		3,618	11		8,232	12		7,833

Productivity Equipment:

These investments increase the productivity of surface warfare research and development activities by procuring non-ADPE equipment that reduces overall operating costs. Operating costs are reduced by reducing labor, reducing energy consumption, eliminating inefficiencies or duplicate processes, developing test platforms that more closely emulate conditions at sea, or providing advancements that increase the technological capability.

Benefit:

Productivity investments reduce costs by establishing remote operation, running automatically, and reducing ship board testing. These investments increase the operational efficiency of the research and development mission by procuring equipment that results in a reduction of the operating costs. Productivity investments also lower operating costs through efficiencies achieved by reducing energy consumption, reducing operational test time, reducing floor space required, and replacing inefficient test processes with a single specialized asset.

Impact:

These investments support the Sea Power 21 initiatives for surface ships and their systems. Investments provide for test results that are accurate and emulate shipboard environments eliminating the need to schedule ship board testing and speeding the retest of ships systems.

Economic Analysis: Two projects are over \$1,000K in budgeted cost. The average Benefit to Investment Ratio (BIR) for these projects is 3.06. An economic analysis was performed on all individual projects. All non-ADPE productivity projects have an estimated useful life of 10 years and an average payback period of 3.05 years.

Business Area Capital Investment Justification (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 09 Budget Estimates						
B. Department of the Navy/Naval Surface Warfare Centers/February 2008	C. Line# and Description 1 - Non ADP - New Mission			D. NSWC					
	FY 2007			FY 2008			FY 2009		
Non ADP	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
New Mission	5	962	4,810	8	400	3,200	4	545	2,181
Total	5		4,810	8		3,200	4		2,181

New Mission Equipment:

These Non-ADP equipment investments support the acquisition of mission essential research, development, test and evaluation equipment that include support new research and development initiatives. NSWC is active in developing Defense Science and Technology Strategy 2005 to equip the 21st Century Soldier. Equipment procurements will support initiatives such as:

- Advanced munitions and high energy materials
- New Shipboard technologies
- Hypervelocity penetrating weapons and kinetic energy weapons
- Thermobaric and variable yield warheads

Benefit:

These provide research and development equipment to support new mission areas or new test and evaluation techniques to enhance the overall effectiveness of the warfare center mission. Investments categorized as new mission are required to support a new capability or capacity that can not be met with current equipment or capabilities.

Impact:

These investments support the Sea Power 21 initiatives for surface ships and their systems. Investments provide for new mission research and development equipment essential to the test and evaluation of emerging ship-board technologies.

Economic Analysis:

Two projects are over \$1,000K in budgeted cost. The average Benefit to Investment Ratio (BIR) for these projects is 2.86. All non-ADPE new mission projects have an estimated useful life of 10 years and an average payback period of 5.3 years.

Business Area Capital Investment Justification (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 09 Budget Estimates						
B. Department of the Navy/Naval Surface Warfare Centers/February 2008	C. Line# and Description 1 - Non ADP - Environmental			D. NSWC					
	FY 2007			FY 2008			FY 2009		
Non ADP	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Environmental	1	460	460				1	304	304
Total	1		460				1		304

Environmental Equipment:

These investments are necessary to support/mitigate environmental, safety, or workplace deficiencies at the surface warfare center activities. Environmental equipment includes control systems and equipment required to meet environmental compliance for hexane and mercury reductions and safety measures.

Benefit:

These investments will correct regulatory compliance deficiencies, enhance safety in the workplace, or correct environmental deficiencies. Work processes that involve hazardous materials will be controlled, reducing the possibility of contamination.

Impact:

The impact of not making these equipment investments will result in non-compliance with environmental, safety or workplace deficiencies within the Warfare Center activities.

Economic Analysis:

There are no projects with an individual cost greater than \$1,000K. An economic analysis was performed on all individual projects. All non-ADPE environmental projects have an estimated useful life of 10 years and an average payback period of 7.3 years.

Business Area Capital Investment Justification (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 09 Budget Estimates					
B. Department of the Navy/Naval Surface Warfare Centers/February 2008	C. Line# and Description 2 - ADP			D. NSWC					
	FY 2007			FY 2008			FY 2009		
ADP	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Hardware	15	654	9,809	8	463	3,705	11	524	5,758
Telecommunications Equip.			0	2	363	725	1	325	325
Other Support Equip.			0	1	650	650	2	310	620
Total	15		9,809	11		5,080	14		6,703

ADPE and Telecommunications Equipment and Capabilities:
These investments will support the acquisition of automated data processing and telecommunications equipment for the surface ship research and development community. Funds will provide networks/connectivity to all Naval Warfare Center activities and procurement of hardware for mission essential research and development computing needs and centralized system hosting including: Business System Replacement, High Speed Computing, and Research, Development, Test, and Evaluation Network. Investments will include routers, servers, firewalls, etc.

Benefit:
The projected benefits include technology tools for the research and development community and continuity of operations for standard business systems throughout the Warfare Center.

Impact:
ADPE Equipment supporting the research and development community must remain on the cutting edge of technology in order to conduct complex simulations, perform predictive analysis, and analyze surface ship system performance. The capability to conduct cutting edge scientific computing within the R&D community is in jeopardy if investments are not made. Current equipment supporting mission essential systems will no longer be supported by the manufacturer. To ensure continuity of business operations, new hardware platforms must be operational.

Economic Information: An economic analysis for all projects greater than \$1 Million (listed above). All projects listed below have a useful life of 5 years according to guidance provided in the OMB A-94 circular. The payback period for the following projects range from 1.8 to 3.4 years.

Business Area Capital Investment Justification (\$ in Thousands)				A. Budget Submission Fiscal Year (FY) 09 Budget Estimates						
B. Department of the Navy/Naval Surface Warfare Centers/February 2008		C. Line# and Description 3 - Software			D. Site Identification					
		FY 2007		FY 2008			FY 2009			
Software	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Enterprise Search and Reporting			0	1	975	975	1	950	950	
Advanced Content Management	2	750	1,500			0			0	
Virtual ISE (In-Service Engineering)	2	750	1,500			0			0	
Software Projects < \$1.000M	1	500	500	2	320	640			0	
Total	5		3,500	3		1,615	1		950	

Enterprise Search and Reporting: By exploiting emerging data identification and integration technologies, this initiative has direct benefit to the information/content management processes that will support the delivery of product and services to the warfighter resulting in increased readiness via more rapid product delivery. Military value will be provided by improved Operational Readiness at reduced total ownership cost through rapid technical information delivery to the warfighter.

Benefits

These investments will directly support the transformation of the Warfare Centers to become a more agile support organization. By fully integrating authoritative data sources with collaborative tools, flexible display technologies, and robust content management we will be better able to support the Fleet's warfighters--from Force Level leadership, to the sailor on the deck plate--at any location and from any location. This evolution of Distance Support capability also enables us to be more proactive in developing life-cycle solutions by making the information required readily available at the workers desktop. All development will provide the collaborative structure which will contribute to achieving current / planned customer service levels.

Business Area Capital Investment Justification (\$ in Thousands)			A. Budget Submission Fiscal Year (FY) 09 Budget Estimates						
B. Department of the Navy/Naval Surface Warfare Centers/February 2008	C. Line# and Description 4 - Minor Construction			D. Site Identification					
	FY 2007			FY 2008			FY 2009		
Minor Construction	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement	4	254	1,016	2	616	1,232	1	150	150
Productivity	8	319	2,553	12	411	4,930	9	419	3,775
New Mission			0	3	80	240	3	547	1,642
Environmental	1	70	70			0			0
Total	13		3,639	17		6,402	13		5,567

Minor Construction

Investments in Minor Construction enhance the Naval Warfare Center Mission by developing buildings, structures or other real property. Minor Construction projects will replace obsolete facilities, consolidate operations for productivity increases, provide state of the art processing areas for new R&D missions, and correct environmental deficiencies. Minor construction projects include all costs to deliver a complete and usable project. Minor Construction projects meet the DOD capitalization criteria, but do not exceed the threshold specified by 10 USC 2805.

Minor Construction is used at the Naval Warfare Centers to:

- modify existing spaces and construct new facilities to provide suitable space to design and test new equipment for the surface warfare community
- improve security measures and provide increase security for new initiatives
- reduce operating expenses by building or improving government owned facilities so that leased space, high maintenance space, or portable space may be vacated
- reduce energy consumption by installing energy efficient building systems
- modify existing systems to bring facilities up to current building, safety, or environmental codes.

No Minor Construction Projects exceed the current Military Construction Threshold levels.

Fiscal Year (FY) 2009 Budget Estimates
Department of the Navy
Naval Surface Warfare Centers - Research and Development
Exhibit 9C
(In Millions)

Line Item President's	Line Item FMB	FY 2008 Project Title	Capability	FY 08/09 President's	+/-	FY 09 OSD	Explanation
		Non ADP		19.377	0.566	19.943	Reflects actual authority issued
1	1		Replacement	8.077	0.434	8.511	Reflects actual requirements
1	1		Prodcutivity	6.519	1.713	8.232	Reflects actual requirements
1	1		New Mission	3.931	-0.731	3.200	Threshold Change from 100 to 250
1	1		Environmental	0.850	-0.850	0.000	Threshold Change from 100 to 250
		ADP		5.535	-0.455	5.080	Reflects actual authority issued
2	2		Computer Hardware	3.910	-0.205	3.705	Threshold Change from 100 to 250
2	2		Computer software	0.000	0.000	0.000	
2	2		Telecommunications	0.975	-0.250	0.725	Threshold Change from 100 to 250
2	2		Other Computer and Tele Supt E	0.650	0.000	0.650	
		Software		5.730	-4.115	1.615	Reflects actual authority issued
3	3	Enterprise Seach and Reporting		0.000	0.975	0.975	
	3	Miscelleaneous Software Projects Under 1.000M		1.605	-0.965	0.640	(Reflects move of Enterprise Seach and Reporting)
3		Warfare Center MIS Cost Reduction		4.125	-4.125	0.000	Project removed from program
		Minor Construction		4.355	2.047	6.402	Reflects actual authority issued
4	4		Replacement	0.200	1.032	1.232	Reflects actual program requirements
4	4		Prodcutivity	3.945	0.985	4.930	Reflects actual program requirements
4	4		New Mission	0.210	0.030	0.240	Reflects actual program requirements
4	4		Environmental	0.000	0.000	0.000	
		Grand Total		34.997	-1.957	33.040	

**Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Naval Surface Warfare Centers - Research and Development
Capital Budget Execution
(\$ In Millions)**

Line Item President's	Line Item FMB	FY 2009 Project Title	Capability	Approved Project Cost	+/-	Current Estimate	Explanation
		Non ADP		25.994	-8.584	17.410	Reflects actual authority issued
1	1		Replacement	9.205	-2.113	7.092	Threshold Change from 100 to 250
1	1		Prodcutivity	9.992	-2.159	7.833	Threshold Change from 100 to 250
1	1		New Mission	3.257	-1.076	2.181	Threshold Change from 100 to 250
1	1		Environmental	3.540	-3.236	0.304	Threshold Change from 100 to 250
		ADP		4.602	2.101	6.703	Reflects actual authority issued
2	2		Computer Hardware	3.237	2.521	5.758	Reflects actual program requirements
2	2		Computer software	0.000	0.000	0.000	
2	2		Telecommunications	0.575	-0.250	0.325	Threshold Change from 100 to 250
2	2		Other Computer and Tele Supt Equip	0.790	-0.170	0.620	Threshold Change from 100 to 250
		Software		0.950	0.000	0.950	Reflects actual authority issued
3	3	Miscellaneous Software Projects Under 1.000M		0.950	0.000	0.950	Enterprise Search and Reporting Project
		Minor Construction		3.460	2.107	5.567	Reflects actual authority issued
4	4		Replacement	0.500	-0.350	0.150	Threshold Change from 100 to 250
4	4		Prodcutivity	1.875	1.900	3.775	Reflects actual program requirements
4	4		New Mission	1.085	0.557	1.642	Reflects actual program requirements
4	4		Environmental	0.000	0.000	0.000	
		Grand Total		35.006	-4.376	30.630	

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NAVAL UNDERSEA WARFARE
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Naval Undersea Warfare Center

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

**RESEARCH AND DEVELOPMENT
NAVAL UNDERSEA WARFARE CENTER**

Mission Statement/Overview:

The mission of the Naval Undersea Warfare Center (NUWC) is to operate the Navy's full spectrum research, development, test and evaluation, engineering and fleet support center for submarines, autonomous underwater systems and offensive and defensive weapon systems associated with Undersea Warfare.

Activity Group Composition:

The Naval Undersea Warfare Center was established in January 1992, and is composed of two divisions, located in Newport, RI, and Keyport, WA, and several detachments. The NUWC Headquarters organization is located at Newport, RI.

Significant Changes Since the FY2008 President's Budget:

There are no significant changes in the activity group or composition since the FY 2008 President's Budget.

Financial Profile:

Revenue/Expense/NOR/AOR/(\$Millions)	FY 2007	FY 2008	FY 2009
Revenue	\$1,068.3	\$1,095.6	\$1,088.6
Expense	\$1,060.2	\$1,100.7	\$1,093.7
Operating Results	\$8.1	-\$5.1	-\$5.2
Other Changes Affecting AOR	\$1.7		
Accumulated Operating Results (AOR)	\$10.2	\$5.2	\$0.0

Revenue/Expense: Additional funding has been received in FY 2007 which has increased the revenue and expense estimates for FY 2007 from the FY 2008 President's budget. For FYs 2008 and 2009 estimates are slightly above those approved in the FY 2008 President's budget, and are consistent with workload.

Operating Results: NUWC's actual FY 2007 NOR is \$5.1 million above the FY 2008 President's Budget approved target of \$3.0 million, as a result of increased direct labor hours and a positive stabilized rate variance. In FY 2008 NUWC will return \$5.1 million from prior year's gains via stabilized rates and in FY 2009 return an additional \$5.1 million to achieve a zero Accumulated Operating Results balance.

<u>Collections/Disbursements/Outlays (\$Millions):</u>	FY 2007	FY 2008	FY 2009
Collections	\$1,060.6	\$1,094.1	\$1,090.5
Disbursements	\$1,041.2	\$1,121.1	\$1,104.2
Outlays	-\$19.4	+\$27.0	+\$13.7

NUWC's projected net outlays are expected to remain fairly level over the budget years, with no significant changes expected to impact cash.

Workload:

<u>Reimbursable Orders (\$Millions):</u>	FY 2007	FY 2008	FY 2009
Current Estimate	\$1,073.5	\$1,083.8	\$1,060.6

NUWC's projected orders are expected to remain stable and were developed in coordination with customers.

<u>Direct Labor Hours (000):</u>	FY 2007	FY 2008	FY 2009
Current Estimate	5,492	5,272	5,180

Direct labor hours are consistent with projected orders.

Performance Indicators:

NUWC's outputs are scientific and engineering designs, developments, tests, evaluations, analyses, and fleet support in NUWC's assigned mission areas. The primary performance indicators are Direct Labor Hours, Unit Cost, Net and Accumulated Operating Results, which are found in various tables throughout the narrative.

<u>Unit Cost:</u>	FY 2007	FY 2008	FY 2009
Total Stabilized Cost (\$Millions)	\$507.5	\$506.6	\$516.5
Workload (DLHs) (000)	5,492	5,272	5,180
Unit Cost per DLH	\$92.41	\$96.10	\$99.72

Unit cost is increasing as a result of changes in pricing guidance, increased investments in scientists and engineers, and changes in the direct labor mix.

Stabilized/Composite Rates:

	FY 2007	FY 2008	FY 2009
Stabilized Rate	\$94.77	\$96.63	\$100.45
Change from Prior Year		+2.0%	+3.95%
Composite Rate Change		+2.2%	+2.82%

Staffing:**Civilian/Military ES & Workyears:**

	FY 2007	FY 2008	FY 2009
Civilian End Strength	3,945	3,795	3,708
Civilian Workyears (Straight time)	3,981	3,789	3,723
Military End Strength	44	43	43
Military Workyears	38	37	37

Civilian Personnel: Projected end strength estimates for FY 2007, FY 2008 and FY 2009 have been sized to meet funded workload and are consistent with efforts to achieve efficiencies associated with Lean and other cost reduction initiatives. The operating efficiencies that result from implementing Lean Six Sigma process improvements will result in lower total cost to the customer and provide for a smaller civilian labor force that can accomplish mission requirements using fewer resources

Military Personnel: Military end strength numbers relatively remain stable over the budget period.

Capital Investment Program (CIP) Budget Authority:**Capital Investment Program****(\$Millions):**

	FY 2007	FY 2008	FY 2009
Equipment, Non-ADP/Telecom	\$5.475	\$6.695	\$8.390
Equipment, ADPE/Telecom	\$7.195	\$4.375	\$3.740
Software Development	\$2.107	\$1.928	\$1.087
Minor Construction	\$1.120	\$2.360	\$2.405
Total	\$15.897	\$15.358	\$15.622

NUWC's Capital Purchase Program is used to purchase general purpose mission essential equipment.

Carryover Compliance:

<u>Carryover(\$Millions):</u>	FY 2007	FY 2008	FY 2009
New Orders	\$1,073.5	\$1,083.8	\$1,060.5
Less Exclusions:			
Foreign Military Sales	\$43.7	\$34.8	\$34.3
Base Realignment and Closure	\$0.1	\$0.0	\$0.0
Other Federal Departments & Agencies	\$1.0	\$0.8	\$0.8
Non-Federal Agencies & others	\$25.6	\$16.4	\$16.0
Major Range & Test Facility Base	\$57.8	\$58.5	\$60.2
Orders for Carryover Calculation	\$945.3	\$973.3	\$949.3
Composite Outlay Rate	54.4%	52.5%	52.5%
Carryover Ceiling Rate	45.6%	47.5%	47.5%
Carryover Ceiling	\$431.1	\$462.8	\$451.1
Balance of Customer Orders at Year End	\$458.2	\$446.5	\$418.5
Less Work-in-Process	\$19.3	\$22.0	\$21.6
Less Exclusions			
Foreign Military Sales	\$55.0	\$56.5	\$46.9
Base Realignment and Closure	\$0.4	\$0.3	\$0.3
Other Federal Departments & Agencies	\$0.8	\$0.7	\$0.7
Non-Federal Agencies & Others	\$22.4	\$17.6	\$12.4
Major Range & Test Facility Base	\$15.5	\$15.0	\$13.9
Carryover Budget	\$344.9	\$334.4	\$322.8

Budgeted carryover is within the ceiling allowed by outlay rates.

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Revenue and Expenses
Activity: Naval Undersea Warfare Center
February 2008
(\$ in Millions)

	FY 2007 CCN	FY 2008 CCN	FY 2009 CCN
Revenue:			
Gross Sales			
Operations	1,048.0	1,076.4	1,069.5
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	20.3	19.2	19.0
Other Income			
Total Income	1,068.3	1,095.6	1,088.6
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	2.3	2.6	2.7
Civilian Personnel	454.5	453.3	458.6
Travel and Transportation of Personnel	26.9	25.9	26.3
Material & Supplies (Internal Operations	92.2	99.6	100.3
Equipment	10.5	14.7	15.1
Other Purchases from NWCF	55.3	61.0	63.1
Transportation of Things	2.2	1.8	1.8
Depreciation - Capital	20.3	19.2	19.0
Printing and Reproduction	1.3	1.6	1.6
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	19.5	21.3	21.8
Other Purchased Services	372.6	399.5	383.3
Total Expenses	1,057.4	1,100.6	1,093.6
Work in Process Adjustment	3.8	.1	.1
Comp Work for Activity Reten Adjustment	-1.1	.0	.0
Cost of Goods Sold	1,060.2	1,100.7	1,093.7
Operating Result	8.1	-5.1	-5.2
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	8.1	-5.1	-5.2
Other Changes Affecting AOR	1.7	.0	.0
Accumulated Operating Result	10.2	5.2	.0

Fiscal Year (FY) 2009 Budget Estimates
 Navy Working Capital Fund
 Source of Revenue
 Activity: Naval Undersea Warfare Center
 February 2008

	FY 2007 CCN -----	FY 2008 CCN -----	FY 2009 CCN -----
1. New Orders	1,074	1,084	1,061
a. Orders from DoD Components	924	960	940
Department of the Navy	896	937	917
O & M, Navy	222	177	175
O & M, Marine Corps	0	0	0
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	29	35	34
Weapons Procurement, Navy	74	83	83
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	52	62	61
Other Procurement, Navy	197	221	215
Procurement, Marine Corps	1	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	320	357	348
Military Construction, Navy	0	0	0
National Defense Sealift Fund	0	0	0
Other Navy Appropriations	0	1	1
Other Marine Corps Appropriations	0	0	0
Department of the Army	3	5	4
Army Operation & Maintenance	0	0	0
Army Res, Dev, Test, Eval	1	2	2
Army Procurement	2	3	3
Army Other	0	0	0
Department of the Air Force	2	0	0
Air Force Operation & Maintenance	0	0	0
Air Force Res, Dev, Test, Eval	2	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	23	18	18
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	2	1	1
Res, Dev, Test & Eval Accounts	21	18	17
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	80	71	70
c. Total DoD	1,003	1,032	1,009
d. Other Orders	70	52	51
Other Federal Agencies	1	1	1
Foreign Military Sales	44	35	34
Non Federal Agencies	26	16	16
2. Carry-In Orders	453	458	446

Fiscal Year (FY) 2009 Budget Estimates
 Navy Working Capital Fund
 Source of Revenue
 Activity: Naval Undersea Warfare Center
 February 2008

	FY 2007 CCN -----	FY 2008 CCN -----	FY 2009 CCN -----
3. Total Gross Orders	1,527	1,542	1,507
a. Funded Carry-Over before Exclusions	458	446	418
b. Total Gross Sales	1,068	1,096	1,089
4. End of Year Work-In-Process (-)	-19	-22	-22
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-94	-90	-74
6. Net Funded Carryover	345	334	323

Note: Line 4 (End of Year Work-In-Process)
 Is adjusted for Non-DoD, BRAC & FMS
 and Institutional MRIFB

Changes in Cost of Operations
Component: Department of the Navy
Activity Group: Research and Development
Sub-Activity Group: Naval Undersea Warfare Center
Fiscal Year (FY) 2009 Budget Estimates
February 2008

	\$ Millions
	<u>Total Cost</u>
FY 2007 Actual	\$1,057.4
FY 2008 President's Budget	\$1,095.2
Estimated Impact in FY 2008 of Actual FY 2007 Experience	\$4.4
Program Changes	
Workload	\$0.2
Price Changes	
Revised Civilian Pay Raise	\$1.5
Fuel Pricing	\$1.2
General Inflation Pricing	-\$2.6
Efficiency Initiatives	-\$1.5
Other Changes	
Capital Investment Program (CIP) Threshold	\$1.7
Defense Finance and Accounting Service (DFAS)	-\$0.2
Depreciation	\$0.9
Federal Employee Compensation Act (FECA)	-\$0.2
FY 2008 Current Estimate	\$1,100.6
Price Changes	
Annualization of Prior Year Pay Raises	
Military	\$0.0
Civilian	\$4.2
FY 2009 Pay Raises	
Military	\$0.0
Civilian	\$7.4
Fuel Price Changes	-\$0.2
Working Capital Fund Price Changes	\$3.0
General Purchase Inflation	\$10.7
Efficiency Initiatives	
CIP Savings	-\$4.3
Operating Efficiencies	-\$7.9
<u>Program Changes</u>	
Workload	-\$17.8
<u>Other Changes</u>	
Defense Finance and Accounting Service (DFAS)	\$0.1
Depreciation	-\$0.2
Federal Employee Compensation Act (FECA)	\$0.1
Sustainment, Restoration, and Modernization	\$0.2
Change in Paid Days	-\$1.7
Other	-\$0.6
FY 2009 Current Estimate	\$1,093.6

Working Capital Fund Capital Investment Summary							
Department of the Navy							
Research and Development / Naval Undersea Warfare Center							
Fiscal Year (FY) 2009 Budget Estimates							
February 2008							
(\$ in Millions)							
Line #	Description	FY 2007		FY 2008		FY 2009	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE and Telecom Equipment						
	Replacement Capability	1	\$0.403	4	\$1.635	3	\$1.925
	Productivity Capability	8	\$4.632	7	\$4.060	10	\$5.120
	New Mission Capability	1	\$0.440	3	\$1.000	3	\$1.345
	Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
	Non ADP Total:	10	\$5.475	14	\$6.695	16	\$8.390
2	ADPE and Telecom Equipment						
	Computer Hardware (Production)	7	\$5.552	3	\$2.125	3	\$1.725
	Computer Software (Operating)	0	\$0.000	0	\$0.000	0	\$0.000
	Telecommunications	0	\$0.000	1	\$0.475	1	\$0.475
	Oth Computer & Telecom Spt Equip	4	\$1.643	4	\$1.775	3	\$1.540
	ADP Total:	11	\$7.195	8	\$4.375	7	\$3.740
3	Software Development						
	Projects = or > \$1M (List Separately)	5	\$2.107	4	\$1.928	3	\$1.087
	Projects < \$1M						
	Software Total:	5	\$2.107	4	\$1.928	3	\$1.087
4	Minor Construction						
	Replacement Capability	0	\$0.000	1	\$0.340	1	\$0.400
	Productivity Capability	2	\$0.852	2	\$1.035	1	\$0.230
	New Mission Capability	0	\$0.000	1	\$0.350	0	\$0.000
	Environmental Capability	1	\$0.268	2	\$0.635	5	\$1.775
	Minor Construction Total:	3	\$1.120	6	\$2.360	7	\$2.405
	Grand Total	29	\$15.897	32	\$15.358	33	\$15.622
	Total Capital Outlays		\$13.229		\$17.442		\$16.095
	Total Depreciation Expense		\$20.271		\$19.225		\$19.017

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES					
(\$ in Thousands)		FY 2007		FY 2008		FY 2009	
Department of the Navy / Research and Development / Naval Undersea Warfare Center		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non ADPE Equipment							
Replacement Equipment		1		\$403	4		\$1,635
Total		1		\$403	4		\$1,635
<p>Replacement Equipment: These investments support the replacement of mission essential non-ADPE research and development equipment that is unsafe, beyond economical repair, technically obsolete, or unusable. Mission essential research and development equipment includes automatic test equipment, environmental testing equipment, vibration test equipment, bridge crane replacements, industrial services equipment, and other equipment that support the development of undersea systems. Based on the useful life guidance provided by OPM (via circular A-94), all investments replace equipment that is beyond the original intended life cycle.</p>		<p>Benefit: Replacement of research and development equipment that is unsafe, beyond economic repair, or unusable. Mission essential research and development equipment must operate at optimal efficiency to achieve proper test and evaluation results. Equipment is replaced with modern reliable equipment to support the research and development mission of the Naval Warfare Centers. Investment in replacement equipment also improves efficiencies and enhances system sustainment and material availability for the war-fighter.</p> <p>Impact: Investments for replacement equipment will not be made resulting in work that produces obsolete results to the scientific community, economically inefficient operation, and possible risk to human life. If investments in replacement equipment are not made, the risk of irreparable failure increases, process downtime increases, and maintenance and repair costs increases.</p> <p>Economic Information: An economic analysis is conducted for all projects. The payback period for Non-ADPE Replacement projects are as follows: FY 2008 2.37-3.41 years, FY 2009 2.60-3.48 years. The FY 2008 cost savings for the Non-ADP Replacement projects are \$1,000K. The FY 2009 cost savings are \$478K.</p>					

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES								
Department of the Navy / Research and Development / Naval Undersea Warfare Center (\$ in Thousands)		FY 2007		FY 2008		FY 2009				
		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non ADPE Equipment		8		\$4,632	7		\$4,060	10		\$5,120
Productivity Equipment		8		\$4,632	7		\$4,060	10		\$5,120
Total										
<p>Productivity Equipment: These investments increase the productivity of undersea warfare research and development activities by procuring non-ADPE equipment that reduces the overall operating costs, eliminates process inefficiencies and provides advanced technological capability. Productivity investments reduce labor costs by establishing remote operation, automation and reduction in testing; operating costs are lower through efficiency achieved by reducing energy consumption, developing autonomous operation of capability, reducing operational development and test time, reducing floor space required, and replacing inefficient test processes with a single specialized asset. Investments in productivity equipment include testing facility upgrades, industrial services equipment, power supply test station, test sets, rapid prototyping equipment, power supply equipment, equipment to characterize advanced transduction materials, testbeds for autonomous operations including vehicle launch and recovery and controller systems, and antenna impedance measurement equipment and other equipment that supports the development of undersea systems to increase productivity.</p> <p>Benefit: The Naval Undersea Warfare Center is the lead Navy activity dedicated to operate the Navy's full spectrum research, development, test and evaluation, engineering and fleet support center for submarines, autonomous underwater systems, and offensive and defensive weapon systems associated with undersea warfare. Constrained budgets necessitate the development of affordable, innovative, evolving systems for applications in undersea warfare. Investment in mission essential research and development equipment will ensure the warfare operates at optimal efficiency to achieve proper test and evaluation results.</p> <p>Impact: If this equipment is not acquired, the Warfare Center will be unable to support and test critical undersea warfare components and provide the Navy with affordable, innovative capabilities to meet future fleet needs. The Warfare Center can expect to incur loss of personnel productivity, decreased customer satisfaction, rapidly escalating maintenance costs, reduced services to the technical community, and technical obsolescence. Not being able to test and evaluate systems early in the development phase will increase the cost to the Navy by increasing development time and at-sea testing. Consequently, the Warfare Center will be unable to protect the fleet and make the necessary contributions to prepare for the future.</p> <p>Economic Information: An economic analysis is conducted for all projects. The payback period for Non-ADPE Productivity projects are as follows: FY 2008 2.49-4.75 years, FY 2009 0.32-7.38 years. The FY 2008 cost savings for the Non-ADP Productivity projects are \$2,863K. The FY 2009 cost savings are \$1,491K.</p>										

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES					
(\$ in Thousands)		FY 2007		FY 2008		FY 2009	
Department of the Navy / Research and Development / Naval Undersea Warfare Center		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non ADPE Equipment							
New Mission Equipment		1	\$440	\$440	3	\$1,000	\$1,345
Total		1	\$440	\$440	3	\$1,000	\$1,345
<p>New Mission Equipment: These investments support the acquisition of non-ADPE equipment that is required to support a new capability that cannot be met with current equipment or capabilities. Investments in equipment to support new mission capabilities such as testing candidate persistent power source technologies, developing a testbed for acoustic sensing and an integrated undersea sensor and network testing capability in Narragansett Bay and nearby environment to facilitate testing, experimentation, sensor technology evaluation, communications, and networking protocols. Investments in these capabilities will enable the Warfare Center to rapidly & efficiently develop and evaluate distributed network and sensor technologies and systems that support future undersea network-centric warfare C4ISR goals.</p> <p>Benefit: The Navy has identified a strong need for highly-coordinated, "networked" forces with advanced sensors and requiring persistent power sources technology. Consistent with Network Centric Warfare doctrine, future concepts require significant amounts of information (from a variety of sensor types) to be transferred and shared among all contributing Naval components (other sensor platforms, command & control, weapons platforms, etc.). The ease and efficiency of this information transfer will determine the level of success with which the Navy can execute future missions. If information cannot be transferred to the appropriate nodes in the operation, then the Navy's combat effectiveness is significantly constrained. Investment in these capabilities can evaluate emerging technologies, exercised in littoral waters that are equivalent to tactical areas of interest. Investments will enable the Warfare Center and the Navy to develop technologies required to meet the challenges associated with distributed networked systems (DNS).</p> <p>Impact: If equipment is not purchased, the Warfare Center will be unable to develop and test candidate technologies such as persistent power sources and advanced sensors required to meet the challenge associated with DNS. In the DNS functional decomposition, the Sensing, Transport, Networking and Communications events that take place in the marine environment require energy. Presently there does not exist mature, affordable power systems that meet DNS demands in the maritime environment at the physical and time scales of interest. Cost-effective energy harvesting or regeneration technology is an essential component of the science base required to enable DNS. A national facility dedicated to this goal does not presently exist. The DNS challenge also relies heavily on the development and testing of advanced sensors. If equipment is not purchased, the Warfare Center and the Navy will be unable to support the needs of the future warfighter.</p> <p>Economic Information: An economic analysis is conducted for all projects. The payback period for Non-ADPE New Mission projects are as follows: FY 2008 .45-5.74 years, FY 2009 2.47-4.66 years. FY 2008 does not show a cost savings for the Non-ADP New Mission projects. The FY 2009 cost savings are \$848K.</p>							

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION **FISCAL YEAR (FY) 2009 BUDGET ESTIMATES**
 (\$ in Thousands)

Department of the Navy / Research and Development / Naval Undersea Warfare Center	FY 2007			FY 2008			FY 2009		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADPE Equipment									
<i>Computer Hardware</i>	7		\$5,552	3		\$2,125	3		\$1,725
<i>Computer Software</i>	0		\$0	0		\$0	0		\$0
<i>Telecommunications</i>	0		\$0	1		\$475	1		\$475
<i>Other Support Equipment</i>	4		\$1,643	4		\$1,775	3		\$1,540
Total	11	0	\$7,195	8	0	\$4,375	7	0	\$3,740

ADPE and Telecommunications Equipment and Capabilities:
 These investments will support the acquisition of automated data processing and telecommunications equipment for the undersea research and development community. Funds will provide networks/connectivity to Warfare Center activities procurement of hardware for mission essential research and development scientific computing needs, development of collaborative environment to support undersea warfare test and evaluation, development of testbeds to support undersea warfare information operations, virtual systems, and distributed networked systems. Investments will include routers, servers, firewalls, networks, high performance computational/visualization hardware, communications equipment and other automated data processing and telecomms equipment required to support the mission of undersea warfare.

Benefit:
 In order to provide the necessary scientific computer resources at the Naval Undersea Warfare Center, adequate resources must be acquired to meet the research, development, test and evaluation needs. These computational engines, visualization engines and repositories of DoD high performance computer systems are required for engineers and scientists to develop innovative undersea warfare solutions. Replacement of obsolete computer equipment will provide the Warfare Center with more reliable and more cost effective resources which will ensure that the technical areas have the capabilities they need to meet requirements. Increased reliability will reduce maintenance costs, increase overall efficiency, and enhance compatibility throughout the Warfare Center. Investment in equipment will also provide enhanced test and evaluation capabilities which will help the Warfare Center implement technologies and reach back capability that enables forward deployed technical resources to be more efficient and effective.

Impact:
 ADPE Equipment supporting the research and development community must remain on the cutting edge of technology to conduct complex simulations, perform predictive analysis, and analyze Submarine Undersea Warfare System performance. The capability to conduct cutting edge scientific computing within the R&D community is in jeopardy if investments are not made. Current equipment supporting mission essential systems will no longer be supported by the manufacturer. Investment in network infrastructure to support RDT&E laboratories at the Warfare Center is required in order to support Fleet customers. Without a network infrastructure in place, the RDT&E laboratories will not be able to function, support their customers or allow the Warfare Center to pursue its mission.

Economic Information: An economic analysis is conducted for all projects. The payback period for ADPE & Telecom projects are as follows:
 FY 2008 2.18-4.84 years, FY 2009 1.98-4.67 years. The FY 2008 cost savings for ADPE & Telecom projects are \$1,892K. The FY 2009 cost savings are \$1,472K.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES								
Department of the Navy / Research and Development / Naval Undersea Warfare Center		FY 2007		FY 2008		FY 2009				
		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software		5		\$2,107	4		\$1,928	3		\$1,087
Software Projects < IM		5		\$2,107	4		\$1,928	3		\$1,087
Total										
<p>Benefits</p> <p>These investments will directly support the transformation of the Warfare Centers to become a more agile support organization. By fully integrating authoritative data sources with collaborative tools, flexible display technologies, and robust content management we will be better able to support the Fleet's war fighters--from Force Level leadership, to the sailor at any location and from any location. This evolution of Distance Support capability also enables us to be more proactive in developing life-cycle solutions by making the information required readily available at the workers desktop. Investments in software development will develop or enhance undersea warfare analysis and assessment models, distance support initiatives and modules to support warfare center authoritative data sources. All development will provide the collaborative structure which will contribute to achieving current / planned customer service levels. Software development projects include both internally developed initiatives and externally developed initiatives.</p> <p>Impact</p> <p>Without these investments, the warfare center will be unable to continue implementation of DoD and Navy standard systems in a common, integrated fashion. Undersea warfare models need to be reviewed in light of modern computing architectures and futuristic ASW concepts such as distributed netted systems (DNS) and improved, redesigned, or replaced as appropriate so that NUWC's mission-level USW modeling and analysis capability can be sustained for the next generation of analysis problems. Without these investments, the undersea simulation environment will not be fully equipped for high-level architecture (HLA) operation to support high-fidelity HWIL Synthetic Ocean for joint warfighting training operations. Furthermore, the simulation environment will not have the flexibility to tailor training scenarios to any realistic scenario future operational commanders need to intensively prepare for and strategic/tactical analysis. Without investments, programs will continue to invest in unique software solutions for search and retrieval of information that is presently accessible only from separate, "stove-pipe" data, resulting in increased life-cycle costs and different levels of technical integrity. Additionally, lack of data sharing will impact ability to function as a warfare center enterprise conflicting with Sea Enterprise objectives.</p> <p>Economic Information: An economic analysis is conducted for all projects. All Software projects are <1M and have a payback period from FY 2008 1.38 - 2.17 years. FY 2009 0.81 - 3.26 years.</p>										

Department of the Navy
 Research and Development
 Naval Undersea Warfare Center
 Fiscal Year (FY) 2009 Budget Estimates
 Date: February 2008
 (In Millions)

Changes in Capital Investment Projects (CIP) Since the FY 2008 President's Budget

FY	Line Item	Category	Capability/Project	Approved Amount	Current Estimate	Asset / Deficiency	Explanation
2008	1	Non-ADP Equipment		\$7.7	\$6.7	-\$1.0	
			Replacement Capability	\$2.5	\$1.6	-\$0.9	CIP Threshold Change & Updated Cost Estimates
			Productivity Capability	\$4.2	\$4.1	-\$0.1	CIP Threshold Change & Updated Cost Estimates
			New Mission Capability	\$1.0	\$1.0	\$0.0	No Change
			Environmental Capability	\$0.0	\$0.0	\$0.0	No Change
				\$4.7	\$4.4	-\$0.3	
			ADP & Telecom Equipment				
			Computer Hardware	\$2.6	\$2.1	-\$0.5	CIP Threshold Change & Updated Cost Estimates
			Computer Software	\$0.0	\$0.0	\$0.0	No Change
			Telecommunications	\$0.5	\$0.5	\$0.0	No Change
			Oth Computer & Telecom Spt Equip	\$1.6	\$1.8	\$0.2	CIP Threshold Change & Updated Cost Estimates
				\$2.2	\$1.9	-\$0.3	
			Projects < \$1 Million	\$2.2	\$1.9	-\$0.3	Project cancelled
				\$2.4	\$2.4	\$0.0	
			Minor Construction				
			Replacement Capability	\$0.5	\$0.3	-\$0.2	Reprioritization of Requirements
			Productivity Capability	\$1.2	\$1.0	-\$0.2	Reprioritization of Requirements
			New Mission Capability	\$0.3	\$0.4	\$0.0	No Change
			Environmental Capability	\$0.3	\$0.6	\$0.3	Reprioritization of Requirements
			All	\$16.9	\$15.4	-\$1.6	

Department of the Navy
 Research and Development
 Naval Undersea Warfare Center
 Fiscal Year (FY) 2009 Budget Estimates
 Date: February 2008
 (In Millions)

Changes in Capital Investment Projects (CIP) Since the FY 2008 President's Budget

FY	Line Item	Category	Capability/Project	Approved Amount	Current Estimate	Asset / Deficiency	Explanation
2009	1	Non-ADP Equipment		\$9.0	\$8.4	-\$0.6	
			Replacement Capability	\$2.3	\$1.9	-\$0.4	CIP Threshold Change & Updated Cost Estimates
			Productivity Capability	\$5.5	\$5.1	-\$0.3	CIP Threshold Change & Updated Cost Estimates
			New Mission Capability	\$1.2	\$1.3	\$0.1	CIP Threshold Change & Updated Cost Estimates
			Environmental Capability	\$0.0	\$0.0	\$0.0	No Change
				\$3.9	\$3.7	-\$0.2	
	2	ADP & Telecom Equipment					
			Computer Hardware	\$1.9	\$1.7	-\$0.2	CIP Threshold Change & Reprioritization of Requirements
			Computer Software	\$0.0	\$0.0	\$0.0	No Change
			Telecommunications	\$0.5	\$0.5	\$0.0	No Change
			Oth Computer & Telecom Spt Equip	\$1.5	\$1.5	\$0.0	No Change
				\$1.4	\$1.1	-\$0.3	
	3	Software					
			Projects < \$1 Million	\$1.4	\$1.1	-\$0.3	CIP Threshold Change & Updated Cost Estimates
				\$2.4	\$2.4	\$0.0	
	4	Minor Construction					
			Replacement Capability	\$0.4	\$0.4	\$0.0	No Change
			Productivity Capability	\$0.4	\$0.2	-\$0.2	Reprioritization of Requirements
			New Mission Capability	\$0.0	\$0.0	\$0.0	No Change
			Environmental Capability	\$1.6	\$1.8	\$0.2	Reprioritization of Requirements
			All	\$16.7	\$15.6	-\$1.0	

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SPAWAR SYSTEM CENTERS

Space and Naval Warfare System Centers

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

**RESEARCH AND DEVELOPMENT
SPACE AND NAVAL WARFARE SYSTEMS CENTERS**

Mission Statement / Overview

The Space and Naval Warfare Systems Centers (SSCs) bring knowledge superiority to the warfighter. Their mission is to be the Navy's full spectrum research, development, test and evaluation, engineering, and fleet support centers for command, control, and communication systems, and ocean surveillance, and the integration of those systems which overarch multiplatforms. The Space and Naval Warfare Systems Command is the primary ForceNet systems command and the SSCs are SPAWAR's principal technical agent. ForceNet implements the theory of network-centric warfare and will dramatically enhance how the Navy acquires, shares, and capitalizes on information superiority to generate transformational combat effectiveness.

The SSCs are the Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) provider of choice for hundreds of customers throughout Navy and DoD, and play an increasing role in the support of related technologies for Homeland Security, the Federal Bureau of Investigation, Department of State, and other Federal agencies. As such, the SSCs must maintain innovative scientific and technical expertise, facilities, and the understanding of defense requirements to ensure that the Navy can develop, acquire, and maintain the systems needed to meet customer requirements at an acceptable price. The SSCs provide cradle-to-grave products and services, including:

- Warfare systems analysis.
- Planning for effective technology programs.
- Cost conscious systems engineering and technical support to program managers in all phases of systems development and acquisition.
- Test and evaluation support including RDT&E and measurement facilities.
- Technical input to the development of operational tactics.
- Electronics material support (technical and management) for systems and equipment.
- Specialized technical support to the Fleet for quick-reaction requirements.

Activity Group Composition:

The SSCs are Echelon III activities under the Space and Naval Warfare Systems Command. This organizational structure facilitates the entire cycle of systems engineering from research and development through waterfront support.

SSC San Diego has its headquarters in San Diego, CA, with detachments in Philadelphia, Pearl Harbor, Guam, and Japan. SSC Charleston has its headquarters in Charleston, SC, with detachments in Norfolk, Washington DC, and Pensacola. SSC Charleston's detachment at Jacksonville closed at the end of FY 2006.

Special Interest Items (e.g., Base Realignment and Closure):

The current submission incorporates the impact of the Base Realignment and Closure (BRAC) V Recommendation to consolidate Maritime Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) Research, Development and Acquisition, Test and Evaluation functions. The action was proposed by the DoD BRAC Joint Cross Service Technical Working Group. The effective date for the majority of realignments associated with this action is FY 2009.

Financial Profile:

<u>Revenue/Expense/NOR/AOR (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$2,299.6	\$2,127.9	\$1,925.3
Expense	\$2,313.4	\$2,133.9	\$1,909.9
Operating Results	-\$13.8	-\$6.0	\$15.4
Other Changes Affecting AOR	\$0.0	\$0.0	\$0.0
Accumulated Operating Results (AOR)	-\$9.4	-\$15.4	\$0.0

Revenue and Expense: The trend in revenue and expense from year to year is primarily the result of updated new orders estimates and pricing adjustments. The downward trend in both revenue and cost of goods and services reflects an increasing shift in work to direct cite funding of contracts (out of house efforts) and the impact of BRAC actions in FY 2009.

Operating Results: The 15 April 2007 close out of the Demonstration Project (DP) personnel system, in transition to the National Security Personnel System (NSPS), required payment of DP performance awards earlier than planned in the FY 2008 President's Budget, resulting in a FY 2008 operating result loss that is recovered in FY 2009. There are no other significant operating result changes from the FY 2008 President's Budget.

Collections/Disbursements/Outlays

<u>(\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	\$2,279.5	\$2,100.1	\$1,883.2
Disbursements	\$2,309.1	\$2,152.2	\$1,911.1
Outlays	\$29.6	\$52.1	\$27.9

Increases in net outlays in FY 2008 reflect updated operating estimates plus additional disbursements in support of the Navy Enterprise Resource Planning (ERP) deployment.

FY 2009 net outlays reflect updated operating estimates, completion of the initial Navy ERP deployment and reduced workload from the BRAC Consolidation of C4ISR RDT&E.

Workload:

<u>Reimbursable Orders (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	\$2,311.8	\$1,910.2	\$1,849.6

The SSCs new orders for FY 2007 were 3.6% higher than the FY 2007 column from the FY 2008 President's Budget. The SSC's new orders estimates for FY 2008 and FY 2009 reflect decreases of -11.3% and -17.3% respectively. These reductions are not a reflection of a reduced business base, but rather an expected reduction in reimbursable orders as SSC San Diego returns to using more direct cite funding of contracts under Navy ERP. The SSCs customer base is expected to remain robust.

<u>Direct Labor Hours (000)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	7,727	7,762	7,520

Direct labor hours remain stable over the budget period and reflect the SSCs efforts to establish the correct balance of organic to contractor expertise to execute the mission. The decline in hours between FY 2008 and FY 2009 reflects the impact of the C4ISR BRAC realignment.

Performance Indicators:

The SSCs outputs are scientific and engineering designs, developments, tests, evaluations, analyses, installations, and fleet support for systems in the SSCs mission areas. The measure for these outputs is the direct labor hour worked for a customer. Customers are charged a predetermined stabilized billing rate per direct employee hour worked. The rate includes the salary and benefits costs of the performing employee (direct labor costs) and a share of the overhead costs of the SSCs, both general and administrative support and the unique production overhead costs of the performing employee's cost center. Non-labor, non-overhead costs, such as customer required material and equipment purchases, travel expenses, and contractual services, are charged to the customer on an actual cost reimbursable basis, and are excluded from the SSCs stabilized pricing structure. The SSCs use total stabilized cost per direct labor hour as their performance criterion. The composite stabilized rate and the average total stabilized cost per direct labor hour for the SSCs are discussed below.

<u>Unit Cost</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Stabilized Cost (\$Millions)	\$734.7	\$743.9	\$778.8
Workload (DLHs) (000)	7,727	7,762	7,520
Unit cost (per DLH)	\$95.09	\$95.84	\$103.56

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<u>Stabilized / Composite Rates</u>			
Stabilized Rate	\$90.51	\$93.52	\$107.11
Change from Prior Year		+3.33%	+14.53%
Composite Rate Change		+2.71%	+6.82%

Rate changes reflect adjustments in direct workload and pricing changes, as well as necessary overhead increases in support of direct efforts.

Staffing:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<u>Civilian/Military ES & Workyears</u>			
Civilian End Strength	6,131	6,129	5,990
Civilian Workyears (Straight-time)	5,966	6,084	5,948
Military End Strength	90	96	96
Military Workyears	75	78	78

Civilian Personnel: The SSCs continue their efforts to revitalize the workforce and balance the skills mix to shape the force capabilities to address current and future threats. A major focus is the hiring of new professionals, but the recruitment and retention of more experienced personnel is also being addressed. The Human Capital plan includes attrition through Voluntary Separation Incentives for a total of 88 in FY 2007, 55 in FY 2008, and 89 in FY 2009. FY 2009 work year reductions results from BRAC V actions.

Military Personnel: Military end strength and workyear numbers reflect continued stable military leadership and support at the SSCs.

Capital Investment Program (CIP) Budget Authority:

<u>Capital Investment Program (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment, Non-ADP / Telecom	\$0.592	\$0.895	\$0.000
Equipment, ADPE / Telecom	\$2.340	\$2.426	\$1.361
Software Development	\$0.000	\$1.759	\$0.683
Minor Construction	\$5.974	\$3.574	\$5.892
Total	\$8.906	\$8.654	\$7.936

The SSCs modest investment in capital assets will acquire affordable and technically efficient capabilities to support customer requirements. In FY 2008, approximately \$1 million will be needed for Navy ERP licenses (software). Remaining FY 2008 and

FY 2009 software development is to develop temporary interfaces for existing legacy applications not initially supported by Navy ERP and to maintain mission critical functionalities until legacy applications are shut down.

Carryover Compliance:

<u>Carryover (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
New Orders	\$2,311.8	\$1,910.2	\$1,849.6
Less Exclusions:			
Foreign Military Sales	\$48.4	\$48.0	\$47.5
Base Realignment and Closure	\$2.0	\$0.1	\$1.5
Other Federal Departments & Agencies	\$276.3	\$248.1	\$244.1
Non-Federal Agencies & others	\$18.5	\$12.4	\$11.2
Major Range & Test Facility Base	\$0.0	\$0.0	\$0.0
Orders for Carryover Calculation	\$1,966.7	\$1,601.6	\$1,545.4
Composite Outlay Rate	54.3%	54.5%	53.4%
Carryover Ceiling Rate	45.7%	45.5%	46.6%
Carryover Ceiling	\$900.1	\$729.1	\$720.7
Balance of Customer Orders at Year End	\$1,156.6	\$938.9	\$863.2
Less Work-in-Process	\$53.1	\$54.2	\$55.3
Less Exclusions			
Foreign Military Sales	\$40.0	\$47.9	\$55.1
Base Realignment and Closure	\$0.4	\$0.4	\$0.8
Other Federal Departments & Agencies	\$187.8	\$172.7	\$123.7
Non-Federal Agencies & Others	\$19.2	\$16.0	\$13.3
Major Range & Test Facility Base	\$0.0	\$0.0	\$0.0
Carryover Budget	\$856.0	\$647.7	\$615.1

Budgeted carryover is within the ceiling allowed by outlay rates.

DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT / SPACE AND NAVAL WARFARE SYSTEMS CENTERS
REVENUE AND EXPENSE
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
DATE: FEBRUARY 2008
DOLLARS IN MILLIONS

	FY 2007 CCN	FY 2008 CCN	FY 2009 CCN
Revenue:			
Gross Sales			
Operations	2,291.9	2,118.6	1,915.2
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	7.7	9.3	10.1
Other Income			
Total Income	2,299.6	2,127.9	1,925.3
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	6.0	6.7	6.8
Civilian Personnel	678.1	717.8	733.3
Travel and Transportation of Personnel	46.5	45.1	43.0
Material & Supplies (Internal Operations)	231.1	215.8	199.8
Equipment	92.0	91.5	87.4
Other Purchases from NMCF	48.9	47.6	43.2
Transportation of Things	6.7	5.7	5.7
Depreciation - Capital	7.7	9.3	10.1
Printing and Reproduction	.3	.4	.4
Advisory and Assistance Services	.0	1.0	1.0
Rent, Communication & Utilities	32.3	29.9	30.4
Other Purchased Services	1,150.5	964.0	750.0
Total Expenses	2,300.0	2,134.9	1,911.2
Work in Process Adjustment	13.4	-1.0	-1.3
Comp Work for Activity Retention Adjustment	.0	.0	.0
Cost of Goods Sold	2,313.4	2,133.9	1,909.9
Operating Result	-13.8	-6.0	15.4
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-13.8	-6.0	15.4
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	-9.4	-15.4	.0

Exhibit Fund-14 Revenue and Expense

DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT / SPACE AND NAVAL WARFARE SYSTEMS CENTERS
SOURCES OF REVENUE
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
DATE: FEBRUARY 2008
DOLLARS IN MILLIONS

	FY 2007 CCN -----	FY 2008 CCN -----	FY 2009 CCN -----
1. New Orders	2,312	1,910	1,850
a. Orders from DoD Components	1,865	1,511	1,463
Department of the Navy	1,404	1,120	1,106
O & M, Navy	418	367	318
O & M, Marine Corps	18	25	21
O & M, Navy Reserve	4	3	3
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	7	6	7
Weapons Procurement, Navy	2	2	2
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	59	66	57
Other Procurement, Navy	494	338	421
Procurement, Marine Corps	106	59	51
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	282	242	213
Military Construction, Navy	0	1	1
National Defense Sealift Fund	12	11	11
Other Navy Appropriations	1	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	77	57	52
Army Operation & Maintenance	32	19	19
Army Res, Dev, Test, Eval	10	11	11
Army Procurement	33	22	17
Army Other	1	5	5
Department of the Air Force	82	70	66
Air Force Operation & Maintenance	33	29	29
Air Force Res, Dev, Test, Eval	38	31	28
Air Force Procurement	11	10	9
Air Force Other	0	0	0
DOD Appropriation Accounts	302	263	239
Base Closure & Realignment	2	0	2
Operation & Maintenance Accounts	63	52	49
Res, Dev, Test & Eval Accounts	154	130	108
Procurement Accounts	34	44	44
Defense Emergency Relief Fund	0	0	0
DOD Other	49	37	37
b. Orders from other WCF Activity Groups	104	91	84
c. Total DoD	1,969	1,602	1,547
d. Other Orders	343	308	303
Other Federal Agencies	276	248	244
Foreign Military Sales	48	48	47
Non Federal Agencies	18	12	11
2. Carry-In Orders	1,144	1,157	939
3. Total Gross Orders	3,456	3,067	2,789
a. Funded Carry-Over before Exclusions	1,157	939	863
b. Total Gross Sales	2,300	2,128	1,925
4. End of Year Work-In-Process (-)	-53	-54	-55
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-247	-237	-193
6. Net Funded Carryover	856	648	615

Note: Line 4 (End of Year Work-In-Process) is adjusted for Non-DoD, BRAC, FMS and Institutional MRIFB

Department of the Navy
Research and Development / Space and Naval Warfare Systems Centers
Changes in the Cost of Operations
Fiscal Year (FY) 2009 Budget Estimates
Date: February 2008
Dollars in Millions

	<u>Total Cost</u>
FY 2007 Actuals	\$2,300.0
FY 2008 Estimate in FY 2008 President's Budget	\$2,181.3
<u>Estimated Impact in FY 2008 of Actual FY 2007 Experience</u>	\$2.0
<u>Price Changes</u>	
Change in FY 2008 Pay Raise Assumptions	\$2.4
Change in FY 2008 Fuel Price Assumptions	\$0.1
Change in FY 2008 General Inflation Assumptions	-\$6.5
<u>Productivity Initiatives and Other Efficiencies</u>	
Capital Investment Program Savings	\$0.2
Strategic Sourcing Savings	-\$0.7
Efficiency Initiatives	-\$2.4
<u>Program Changes</u>	
Workload	-\$50.2
Investment in Lean Six Sigma Training and Projects	\$0.4
Sustainment of Financial Improvement Plan (FIP) Accomplishments	\$1.0
Transfer of Radiac Lab to NAVSEA	-\$0.4
Impact of Demo Continuing Points Awarded Prior to NSPS Conversion	\$8.8
Change in Capitalization Threshold	\$0.2
<u>Other Changes</u>	
Defense Finance and Accounting Service (DFAS)	-\$0.8
Depreciation	-\$0.4
Federal Employee Compensation Act (FECA)	\$0.1
Other	-\$0.2
FY 2008 Current Estimate	\$2,134.9

Department of the Navy
Research and Development / Space and Naval Warfare Systems Centers
Changes in the Cost of Operations
Fiscal Year (FY) 2009 Budget Estimates
Date: February 2008
Dollars in Millions

	<u>Total Cost</u>
FY 2008 Current Estimate	\$2,134.9
 <u>Price Changes</u>	
Annualization of Prior Year Pay Raises	
Military	\$0.1
Civilian	\$6.5
FY 2009 Pay Raises	
Military	\$0.1
Civilian	\$13.5
Fuel Price Changes	\$0.0
Working Capital Fund Price Changes	\$1.2
General Purchase Inflation	\$26.6
 <u>Productivity Initiatives and Other Efficiencies</u>	
Capital Investment Program Savings	-\$0.3
 <u>Program Changes</u>	
Workload	-\$241.0
Other	-\$0.1
 <u>Other Changes</u>	
BRAC V Recommendation TECH-0042AR, Consolidate Maritime C4ISR RDT&E	-\$12.4
Defense Finance and Accounting Service (DFAS)	-\$0.5
Depreciation	\$0.9
Enterprise Resource Planning Pilot, CABRILLO (concludes operations)	-\$4.8
Military Labor	-\$0.1
Navy Enterprise Resource Planning Implementation (non-recurring costs)	-\$13.4
Navy / Marine Corps Intranet	-\$1.3
Sustainment, Restoration, and Modernization	\$3.3
Voluntary Early Retirement / Voluntary Separation Incentive Pay (VERA/VSIP)	\$0.9
Change in Paid Days	-\$2.7
 FY 2009 Current Estimate	 \$1,911.2

Activity Group Capital Investment Summary Department of the Navy Research and Development / Space and Naval Warfare Systems Centers Fiscal Year (FY) 2009 Budget Estimates February 2008 \$ in Millions							
Line #	Description	FY 2007		FY 2008		FY 2009	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE and Telecom Equipment		\$0.592		\$0.895		\$0.000
	- Replacement Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Productivity Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- New Mission Capability	2	\$0.592	1	\$0.895	0	\$0.000
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
2	ADPE and Telecom Equipment		\$2.340		\$2.426		\$1.361
	- Computer Hardware (Production)	3	\$1.590	2	\$0.820	1	\$0.450
	- Computer Software (Operating)	0	\$0.000	0	\$0.000	0	\$0.000
	- Telecommunications	0	\$0.000	2	\$1.606	1	\$0.331
	- Oth Computer & Telecom Spt Equip	1	\$0.750	0	\$0.000	1	\$0.580
3	Software Development		\$0.000		\$1.759		\$0.683
	- Projects = or > \$1M (List Separately)	0	\$0.000	0	\$0.000	0	\$0.000
	- Navy ERP Software Licenses (Charleston)	0	\$0.000	1	\$1.009	0	\$0.000
	- Projects < \$1M	0	\$0.000	1	\$0.750	1	\$0.683
4	Minor Construction		\$5.974		\$3.574		\$5.892
	- Replacement Capability	2	\$1.168	3	\$1.618	4	\$2.996
	- Productivity Capability	7	\$4.057	3	\$1.207	3	\$2.247
	- New Mission Capability	3	\$0.749	0	\$0.000	1	\$0.649
	- Environmental Capability	0	\$0.000	1	\$0.749	0	\$0.000
	Grand Total	18	\$8.906	14	\$8.654	12	\$7.936
	Total Capital Outlays		\$5.890		\$12.449		\$6.607
	Total Depreciation Expense		\$7.667		\$9.280		\$10.132

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates			
Department of the Navy / Research and Development / Space and Naval Warfare Systems Centers		#001 - Non-ADPE and Telecommunications Capabilities		SPAWAR Systems Centers	
		FY 2007		FY 2008	
		Qty	Unit Cost	Qty	Unit Cost
		Total Cost		Total Cost	
Non-ADPE and Telecommunications Equipment					
<i>New Mission Equipment</i>		2	296	1	895
Total		2	296	1	895

Justification:

Non-ADPE and Telecommunications:

NEW MISSION EQUIPMENT

All equipment will provide new mission capabilities. No equipment currently exists that support the necessary mission capability. This investment involves two projects in FY 2007 and one project in FY 2008. The two **projects in FY 2007** will provide new capability for the following:

a) **"Mobile Remote Video Surveillance System"** This project will develop a prototype of an unmanned Mobile Remote Video Surveillance System demonstrating new long-range Infra-red/Visual ranges.

b) The **"C4ISR Acquisition Engineering and Integration Facility Rubb Building"** project provides new capability and capacity to support current and projected growth. The equipment will create capacity for projected growth and realize an increase of efficiency and effectiveness of current work.

The **FY 2008 project** of a **"Signal Characterization Lab"** is to purchase a Digitizer, Analyzers, a Receiver and a Waveform Generator that will create a system that allows radio frequency signals to be collected, digitized and then analyzed for characterization. This will integrate with various sponsor infrastructures for communications monitoring, identification of local interferers and other applications. A cost analysis was performed.

For the **"C4ISR Acquisition Engineering and Integration Facility Rubb Building"** project savings of \$41 thousand a year are projected. Continuing C4ISR Acquisition and Integration operations without increased capacity would increase schedule risk and adversely impact customer confidence in the SSC's. The SSC's are the leading provider of C4ISR - a high-tech area of constantly changing technologies and capabilities. Failure to fund efforts in this category will result in diminished technological capabilities and potential loss of support to the warfighter.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates					
(\$ in Thousands)		#002 - ADPE and Telecommunications Capabilities		SPAWAR Systems Centers			
Department of the Navy / Research and Development / Space and Naval Warfare Systems Centers		FY 2007		FY 2008		FY 2009	
		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
ADPE and Telecommunications Equipment							
Computer Hardware (Production)		3	530	1,590	2	410	820
Computer Software (Operating System)							
Other Computer & Telecommunications Spt Equipment		1	750	750	2	803	1,606
Total		4	585	2,340	4	607	2,426
Justification:							
ADPE and Telecommunications Equipment:							
There are no individual line items in excess of \$1 million.							
Computer Hardware							
This investment includes three projects in FY 2007, two projects in FY 2008, and one project in FY 2009.							
The FY 2007 projects include "Database Engine Upgrade and License for Cluster", providing new capabilities for SSC-SD's "Command Center of the Future (CCOF)", and additional capability for the "Global Information Grid Integration Center (GIG-IC) - Information Assurance (GIG-IA)". Cost analyses have been completed for all projects.							
In FY 2007 "Database Engine Upgrade and License for Cluster" includes processor and memory upgrades for file servers along with database tuning software and associated licenses. The memory and processor upgrades will enhance performance. Database tuning software will analyze and correct inefficient user queries in real-time resulting in increased performance; i.e., less time waiting for queries to complete. Cost savings of approx \$150K per year will be in civilian labor and maintenance and repair costs beginning in FY 2008. If this project is not funded it would result in limited memory capacity and degraded unit capability through-put for database queries.							
"CCOF" will provide new capabilities required by SSC-SD. CCOF demonstrates cutting edge and emergent technology to sponsors. New equipment will provide more flexibility in presenting information, and a notional planning cell. There are no cost savings; this investment would expand the CCOF capabilities. Failure to make this investment would reduce the ability to transfer emerging capabilities to the FLEET.							
"GIG-IA" will add Information Assurance (IA) infrastructure in the GIG-IC to the Center's Test and Evaluation environment of FLEET network systems, switches, servers, and interconnections. This will meet the requirement to perform IA assessments on networks and applications in preparation for FLEET install before deployment to assess vulnerabilities and risks and to recommend corrections and to also evaluate performance of Program of Record's (POR's) applications. This upgrade will incorporate existing project networks in order to develop and test in the current environment. Cost savings are to customers and will increase as the number of labs and facilities connected to the GIG-IC increase. If these ADPE projects are not funded, there is a risk of a degradation of mission technologies and capabilities that could be available to the war fighter. Opportunities to develop emerging technologies could be delayed or lost.							

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates
Department of the Navy / Research and Development / Space and Naval Warfare Systems Centers	#002 - ADPE and Telecommunications Capabilities	SPAWAR Systems Centers
<p><u>ADPE and Telecommunications Equipment:</u> (Cont.)</p> <p><u>The FY 2008 projects</u> include "Database Engine Upgrade and License for Cluster" and a roll out of a "Knowledge Management/Oracle Collaboration Suite".</p> <p>The "Database Engine Upgrade and License for Cluster" procurement will focus on updating outdated infrastructure servers, upgrades and augmentation of existing backup tape units, network monitoring tools, and associated licenses. The upgrades will replace equipment that has reached end of service life and ensure systems are available for providing infrastructure services. Additionally, the backup tape units will ensure we can support backup and off site storage of file systems. Cost savings of \$150K per year are anticipated from reduced civilian labor and maintenance and repair costs beginning in FY 2009.</p> <p>The "Knowledge Management/Oracle Collaboration Suite" will expand SSC-SD current capability. SSC-SD owns 300 Oracle Collaboration Suite licenses and has an Oracle Collaboration Suite (OCS) running but it has not been rolled out to the organization. The Knowledge Management/Oracle Collaboration Suite roll out will allow SSC to provide collaboration capabilities not included in OCS and to provide a robust collaboration environment and infrastructure to support future requirements. There are no cost savings for this project; savings come from cost avoidance. Failure to invest may cause SSC-SD to seek other alternatives at a higher cost.</p> <p><u>The FY 2009 project</u> includes "Database Engine Upgrade and License for Cluster". The database upgrade will focus on the replacement of existing Storage Area Network (SAN), upgrading network interfaces, and procurement of a virtual machine environment and associated licenses. Benefits realized will be consolidation of applications, reduced costs for operating the SAN environment, and improved network throughput. Alternatives considered were upgrading the existing system with current technology or buying a new system from another manufacturer. Upgrading the existing system required no new training or additional Operating System licenses and is the most cost effective. Cost savings of \$150K per year are anticipated from reduced civilian labor and maintenance and repair costs beginning in FY 2010. Failure to make these investments increases costs of maintaining out-dated equipment and risks catastrophic loss of data or degraded network performance.</p> <p>Telecommunications</p> <p>This investment includes two projects in FY 2008 and one project in FY 2009.</p> <p><u>The FY 2008 projects</u> are for an "IPv6 Transition Support Lab" and a "Telephone System Upgrade". The Office of the Secretary of Defense (OSD) has mandated the transition to IPv6 by FY 2008. The Navy currently has no IPv6 testing capabilities.</p> <p>The "IPv6 Transition Support Lab" will allow SSC-SD to be recognized as the definitive source for Navy's IPv6 Test and Evaluation (T&E) efforts, opening up a host of new business opportunities. Programs of Record (PMW's) are mandated to comply with the OSD directive and can employ SSC-SD to conduct testing based on individual requirements. There are no cost savings associated with this project as its purpose is to create new capabilities; however, if this investment is not made SSC will lose the opportunity to become the lead in this new business area.</p>		

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates	
(\$ in Thousands)			
Department of the Navy / Research and Development / Space and Naval Warfare Systems Centers	#002 - ADPE and Telecommunications Capabilities	SPAWAR Systems Centers	
ADPE and Telecommunications Equipment: (Cont.)			
<p>The "Telephone System Upgrade" will provide telephone system switching, remote peripheral equipment, installation material and labor, and supporting software to deliver expanded telecommunications capacity for the command. Some telephone switches are at maximum capacity with no room for expansion, cannot be directly connected to other systems, and do not meet Joint Interoperability Test Command (JITC) certification requirements. The upgrade will allow the addition of service capacity to meet command current and near-term growth projections and acquisition of services from NNCI and a wireless-only solution for all personnel. Net benefits of this project are estimated at \$37K per year for FY 2009 through FY 2013. Failure to invest for this upgrade could preclude realization of benefits and efficiencies that would be needed to sustain expected command growth and risk of costly equipment failures.</p> <p>The FY 2009 project includes an "Integrated Teleport Upgrade" that will create new capability that includes combining numerous SATCOM terminals and support equipment into a common and integrated environment. This new capability supports SPAWAR's participation in numerous Navy and Joint exercises and demonstrations. The upgrade will also create a virtual laboratory with a global reach to ensure that any customer or Command requirement for high bandwidth communications testing can be met. Programs and customer will use this resource to help develop, test, and validate the fundamental requirement for reliable, high bandwidth communications. The development of NetCentric applications, as the Navy pursues a FORCEnet (Fn) vision, requires tremendous amount of information to be rapidly disseminated among the widely dispersed Naval assets. Traditional UHF, VHF and HF channels of communication are not up to this task. This project will provide the capability to ensure complete "end to end" evaluation and testing for high bandwidth communications. No savings or cost avoidance is expected in the near term. Failure to invest in the Integrated Teleport Upgrade could expose SSC-CH to the risk of being unable to provide customers with cutting edge engineering services and impact customer confidence in communication areas.</p> <p>Other Computer and Telecommunications Support Equipment</p> <p>This investment includes one project each for FY 2007 and FY 2009.</p> <p>The FY 2007 project is a "Document Imaging System Replacement" that will transition the current essential service for technical and engineering project tracking and execution to an Enterprise Class service across all of SSC-CH with the capability of scanning, storing, cataloging and retrieving documents in a ForceNet compliant Services Oriented Architecture (SOA). The existing Document Imaging System is a central repository for received and internally generated documents used for certain business operations. This new system is capable of scanning, storing, cataloging and retrieving documents in a ForceNet compliant Services Oriented Architecture (SOA) and will extend access to documents supporting business intelligence, engineering operations and non-financial or contract documents in a cost effective and secure manner. A cost savings of approximately \$850K per year beginning in FY 2008 is estimated for the Document Imaging System Replacement with the majority of savings in contractor support. The impact of not making the proposed investment for the Document Imaging System Replacement is the loss of the essential service of scanning, storing, cataloging and retrieving documents in a ForceNet compliant Services Oriented Architecture (SOA) across the Command and result in the loss of savings of approximately \$850K per year for contractor support costs.</p>			

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates
(\$ in Thousands)		
Department of the Navy / Research and Development / Space and Naval Warfare Systems Centers	#002 - ADPE and Telecommunications Capabilities	SPAWAR Systems Centers
<p>ADPE and Telecommunications Equipment: (Cont.)</p> <p>The FY 2009 project includes a "Continuity of Operations (COOP) Initiative" that will provide SSC-CH with an alternative capability to continue business operations during and after a declared disaster in conjunction with the command's continuity of operations plan (COOP). Final delivery shall provide a fully tested and executable continuity of operations capability with a means and methodology to account for all command personnel and communicate with the SPAWAR chain-of-command. SSC-CH currently lacks a comprehensive strategy and plan to ensure continuity of operations in the event of hurricanes, acts of terrorism, or other types of disasters. Project deliverables shall include, but will not be limited to, standard operating procedures, alternative business and work process plans, alternative work sites design plans, command-wide plans including alternative communication plans, equipment and material acquisition list, documented network centric network connectivity plans and applicable FORCENET interface requirement plans. All plans and requirements shall incorporate DOD/DON data storage and information sharing requirements and information assurance and physical security requirements. No savings or cost avoidance is expected in the near term however this initiative supports mission continuity and safety of command personnel in the event of natural or man-made catastrophic disaster. Not investing in the COOP Initiative could render SSC-CH incapable of mission readiness in the wake of a disaster and cause the incurrence of needless personnel safety risk.</p>		

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates					
(\$ in Thousands)		#003 - Software (Navy Enterprise Resource Planning SAP Licenses)		SSC-Charleston			
Department of the Navy / Research and Development / Space and Naval Warfare Systems		FY 2007		FY 2008		FY 2009	
		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Software							
Navy Enterprise Resource Planning SAP Licenses		1	1,009	1,009	1	1,009	1,009
TOTAL		1	1,009	1,009	1	1,009	1,009
Justification:							
<p>Software: The "Navy Enterprise Resource Planning (Navy ERP) SAP Licenses" will provide an end-to-end business management system that transforms and standardizes Navy business processes for program and project management, acquisition, finance, maintenance, supply chain, and workforce management operations into a single system. Integration of these processes will streamline the organizational infrastructure; maximize synergy in business functions; provide rapid, accurate response to the warfighter; harvest efficiencies available through technology insertion; and recapitalize infrastructure cost to procure and sustain flexible and effective weapons to meet the new warfighting environments. As a requirement of implementing Navy ERP, SSC Charleston will be required to pay for new software licenses. Failure to fund this requirement will prevent SSC Charleston from implementing Navy ERP on time. The current plan is that the entire SPAWAR Command will go-live utilizing Navy ERP in the 3rd quarter of FY 2008. This project will be externally developed and license fees approximate \$1.009 million.</p>							

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates					
Department of the Navy / Research and Development / Space and Naval Warfare Systems		#003 - Software (Legacy System / Navy ERP - Interface Performance/ Migration/ Conversion)		SSC-Charleston			
Software	N-ERP Data Element / Structure Migration & Conversion Interface Performance & Application Conversion - Navy ERP	FY 2007		FY 2008		FY 2009	
		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
		1	750	750	1	683	683
TOTAL		1	750	750	1	683	683
Justification:							
Software:							
<p>With the FY 2008 project, "Navy ERP Data Element/Structure Migration & Conversion", SSC-CH will migrate its current business environment that supports civilian and military standard processes. Data accessibility will be an issue for user and program managers. Assets will be used to ensure all aspects of adapting SPAWAR business practices to leverage Navy common business practices and to convert data from existing systems and shutting down legacy systems. If investment in this project is not made, SSC-CH will be unable to effectively assess and retire the legacy systems being replaced by Navy ERP.</p> <p>The FY 2009 project includes an "Interface Performance and Application Conversion for Navy ERP", a solution for mission critical services to be provided to users for a more flexible and controlled environment, with all updated data and Reports/Interfaces/Conversions/Extensions (RICE) modifications or improvements. SSC-CH will transition to the approved and mandated standard systems as directed by DoD and Navy and work directly with RICE sub-team of the ERP Program's Technical and Business Process Teams with regard to all site related RICE issues. SSC-CH will develop those interfaces with Virtual SYSCOM reps to determine Navy enterprise strategy for archiving, legacy data retention and retrieval requirements, architecture and strategy along with the lead site team's resources with regard to validating site reporting requirements, data conversions, system interfaces and any required extensions to ERP solution. Project will develop software tools and interfaces to COTS Bolt-on applications that interface with the Navy ERP system, such as Primavera or Artemis. These products are generally accepted bolt-on COTS products that complete the SAP application environment to achieve comprehensive project management, not otherwise provided in the native SAP application. The data and RICE modifications/improvements provided for by the Interface Performance and Application Conversion for Navy ERP project are vital to complete mission critical services.</p> <p>Initiatives are scheduled to begin in the 1st quarter of FY 2008 in preparation for Navy ERP and continue into FY 2009. A spiral development is not applicable for these software projects. Projects will be externally developed and license fees are not applicable. Cost analysis has been performed for both projects. Savings are expected to occur in the outyears.</p>							

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates								
Department of the Navy / Research and Development / Space and Naval Warfare Systems (\$ in Thousands)		#004 - Minor Construction		SPAWAR Systems						
Minor Construction		FY 2007		FY 2008		FY 2009				
		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Replacement		2	584	1,168	3	539	1,618	4	749	2,996
Productivity		7	580	4,057	3	402	1,207	3	749	2,247
New Mission		3	250	749				1	649	649
Environmental										
Total		12	498	5,974	7	511	3,574	8	737	5,892
Justification: Minor Construction. No project described herein exceeds the current MILCON threshold. REPLACEMENT In the majority of the replacement projects, permanent building structures will be replacing trailers. The trailers have seriously deteriorated due to age, weather exposure due to their locations, and multiple past alterations. Other existing permanent facility replacements are requested because the building currently in use is unable to meet high tech lab requirements and in one case has been condemned due to extensive corrosion in the crane support structure. In all cases, buildings are beyond the cost of economical repair. With the exception of one project, the proposed projects will replace unusable or limited use space with fully functional spaces able to support the type of advanced technology work done at the SSC's in support of the Global War on Terrorism. The remaining project will remove a safety hazard and eliminate the need for the labor intensive and costly measures currently in place to meet the requirements for underwater vehicle testing. Cost analyses have been performed for all projects. There are few expected dollar savings due to the nature of the projects as replacement buildings. If these projects are not funded, and space is not available, there may be a degradation of mission capabilities that could be available to the war fighter from lost opportunities to develop programs and emerging technologies. PRODUCTIVITY The majority of projects have been requested due to growth or technical requirements that are restricted in their current facilities. The need for these additional spaces has also caused the need for a project to add sewer lines to serve new buildings. SSC-SD has been mandated by Command Navy Region Southwest (CNRSW) that one of its largest technical groups be re-located from a building they previously occupied to make way for COMTHIRFLT. Another project is due to a Joint Staff Integrated Vulnerability Assessment (JSIVA) and Anti-Terrorism Force Protection (AT/FP) Vulnerability Assessment, conducted in May 04, 2006, that stated SSC-SD had lighting shortfalls on installation perimeters. The proposed projects will add fully functional spaces to support the type of advanced technology work performed by SSC. The additions will also support growth in programs across the Center allowing for more rapid response to requirements while reducing safety concerns. Teams will be able to be co-located which will provide improved interaction within the team and more efficient use of equipment and personnel. The fencing and security improvements are required in order to meet the federal standards and specifications for fencing, gates and accessories that are outlined in FedSpec RR-F-191K/Gen, FED SPEC SHEET RR-F-191K/4D, and OPNAVINST 5530.14C Para 0603.										

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		Fiscal Year (FY) 2009 Budget Estimates
Department of the Navy / Research and Development / Space and Naval Warfare Systems	#004 - Minor Construction	SPAWAR Systems
<p>Minor Construction: (Cont.)</p> <p>JSIVA recommendations were specific in their determination that there is a need for a perimeter fence maintenance program. Cost analyses have been performed for all projects. There is an expected savings of approximately \$390K a year. If these projects are not funded, and space is not available, the Navy will lose the capability of providing needed support to DoD customers, jeopardizing mission performance and mission capabilities that could be available to the war fighter. If projects impacting security are not funded, specifically identified deficiencies would leave the Center with vulnerabilities to intrusion.</p> <p>NEW MISSION</p> <p>No existing minor construction currently exists that supports the necessary new mission capability. The minor construction projects described below provide additional production capacity to meet SSC's commitments to customers as well as an enhanced security posture for one building complex. Lack of production capacity would expose the command to schedule risk and would raise production costs, reducing our credibility to our customers. Failure to upgrade our facility security to DoD minimum Antiterrorism Standards for Buildings could expose SSC personnel and property to the risk of terrorist attack. Cost analysis has been performed and estimated savings/cost avoidance for the projects over the cost benefit period averages approximately \$287K a year.</p> <p>This investment involves three projects in FY 2007 and one project in FY 2009. The FY 2007 projects include "Antenna Platform Bldg 1648", "Antenna Platform - Wideband SATCOM" and "Engineering Support Facility Perimeter". The FY 2009 project includes a "Communications Security Material System and the Special Security Office (CSM/SSO) Facility".</p> <p>The "Antenna Platform Bldg 1648" project will support Test and Integration Facilities (TIF) when there is a requirement for Radio Communications System (RCS) testing using the satellite communication systems. To transmit and receive data to/from the RCS located inside Bldg 1648 and the satellite communication systems, the test conductors have a requirement for antennas, domes, and the antenna platform. The existing platform can only handle two out of three of the following antennas/domes: Super High Frequency (SHF), Extremely High Frequency (EHF), and Global Broadcast System (GBS). Bldg 1648 is capable of housing six platforms. Some of these platforms will require the RCS/satellite communication systems tests. Therefore, their respective antennas/domes must be installed on the platform to meet the test requirements. The existing platform will not be able to handle these needs. Delaying the tests and test procedures' grooming and validation will cause delay in the RCS delivery schedule or incomplete taskings. SSC is obligated to deliver a fully integrated and tested RCS per platform to our customers on schedule. To support these tasks, a second platform is required that can handle all three sets of antennas/domes (SHF, EHF, and GBS) at one time).</p> <p>The "Antenna Platform - Wideband SATCOM" project is required to support existing WIDEBAND SATCOM tracking antennas used in conjunction with ongoing C4ISR In-Service Engineering (ISE) support. This project will enable accomplishment of RCS testing that requires data verification via satellite systems and would allow system test procedure grooming and validation.</p>		

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)	Fiscal Year (FY) 2009 Budget Estimates
Department of the Navy / Research and Development / Space and Naval Warfare Systems	#004 - Minor Construction
<p>Minor Construction: (Cont.)</p> <p>The "Engineering Support Facility Perimeter" project plans to bring the complex up to standards for DOD Minimum Antiterrorism Standards for Buildings. The complex currently has no defined perimeter or security protection normally provided by a naval base or shipyard.</p> <p>The "Communications Security Material System and the Special Security Office (CSM/SSO) Facility" is proposed as the current facility lacks the capacity to handle the volume of crypto communications equipment requiring safeguarding. The current facility also lacks the space capacity for security briefing, interviews and training for the increased number of personnel requiring Sensitive Compartmented Information / Special Access Program access. This project will provide a new 3,500 square foot facility.</p>	SPAWAR Systems

ENVIRONMENTAL

The FY 2008 project "**Antenna Pattern Range Ground Plane Replacement**" is for the removal and disposal of a lead ground plane and replacement with a layer of conductive concrete. The Applied Electromagnetics Branch and the Advanced Electromagnetic Technology Branch of SSC-SD uses the Antenna Pattern Range to measure the radiation patterns of antennas on scale models of Navy ships. This testing allows customers such as NAVSEA to check antennas and configurations in advance of shipboard installation at a fraction of the cost required for full scale fabrication and testing. The Antenna Pattern Range has a ground plane that serves to mimic the conductive properties of sea water and thus improve the accuracy of the antenna measurements. This ground plane is currently made from a 7 millimeter layer of lead that has been sprayed onto the underlying concrete. Since 1982 there have been no refurbishments of the ground plane and the lead surface is deteriorating. The proposed conductive concrete layer would provide a durable conductive surface that will not require periodic maintenance and not leach lead into the surrounding soil. Cost analysis was performed. The cost analysis does not yield cost savings specifically for the ground plane operations, however, removal of the lead surface will eliminate the risk of lead contamination and required clean-up costs. If the lead surface is not replaced, lead will leach into surrounding soil and may require expensive clean-up efforts.

CAPITAL BUDGET EXECUTION
ACTIVITY GROUP: RESEARCH AND DEVELOPMENT
SUB-ACTIVITY GROUP: SPAWAR SYSTEMS CENTER
Fiscal Year (FY) 2009 Budget Estimates
PROJECTS IN THE FY 2008 PRESIDENT'S BUDGET
(Dollars in Millions)

	Approved Project	Reprogs	Approved Proj.Cost	Current Proj.Cost	Asset/ Deficiency	Explanation
FY 2008						
Equip. (Non-ADPE)	1.130	(0.235)	0.895	0.895	0.000	
Equip. (ADPE)	0.450	1.976	2.426	2.426	0.000	
Software Development	3.421	(1.662)	1.759	1.759	0.000	
Minor Construction	3.895	(0.321)	3.574	3.574	0.000	
Total FY08	8.896	(0.242)	8.654	8.654	0.000	
Non-ADP Equipment	1.130	(0.235)	0.895	0.895	0.000	Reduction reflects impact of change in capitalization threshold.
ADPE and telecommunications resources	0.450	1.976	2.426	2.426	0.000	Funds realigned to higher priority projects such as Telephone System Upgrade, IPv6 Transition Support Lab, and Knowledge Management/Oracle Collaboration Suite.
Software Development >= \$.100M	3.421	(1.662)	1.759	1.759	0.000	Reduction reflects impact of determination that existing SSC San Diego SAP Application Software Licenses can be utilized for Navy ERP. New licensing for Navy ERP is not required.
Minor Construction (>= \$.100M and < \$.750M)	3.895	(0.321)	3.574	3.574	0.000	Reduction reflects impact of reprioritization of projects.
FY 2009						
Equip. (Non-ADPE)	0.000	0.000	0.000	0.000	0.000	
Equip. (ADPE)	0.450	0.911	1.361	1.361	0.000	
Software Development	0.750	(0.067)	0.683	0.683	0.000	
Minor Construction	4.802	1.090	5.892	5.892	0.000	
Total FY09	6.002	1.934	7.936	7.936	0.000	
Non-ADP Equipment	0.000	0.000	0.000	0.000	0.000	
ADPE and telecommunications resources	0.450	0.911	1.361	1.361	0.000	Increase reflects the addition of Integrated Teleport Upgrade & Continuity of Operations (COOP) initiative.
Software Development >= \$.100M	0.750	(0.067)	0.683	0.683	0.000	Reduction reflects revised estimate for Interface Performance & Application Conversions/Extensions for Navy ERP.
Minor Construction (>= \$.100M and < \$.750M)	4.802	1.090	5.892	5.892	0.000	Increase reflects impact of reprioritization of projects.

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NAVAL RESEARCH LABORATORY

Naval Research Laboratory

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

**RESEARCH AND DEVELOPMENT
NAVAL RESEARCH LABORATORY**

Mission Statement / Overview

The Naval Research Laboratory (NRL), the Navy's single, integrated corporate laboratory, provides the Navy with a broad foundation of in-house expertise from scientific through advanced development activity. Specific leadership responsibilities are assigned in the following areas:

- a. Primary in-house research in the physical, engineering, space, and environmental sciences.
- b. Broadly based exploratory and advanced development program in response to identified and anticipated Navy and Marine Corps needs.
- c. Broad multidisciplinary support to the Naval Warfare Centers.
- d. Space and space systems technology development and support.

NRL operates as the Navy's full-spectrum corporate laboratory, conducting a broadly based multidisciplinary program of scientific research and advanced technological development directed toward maritime applications of new and improved materials, techniques, equipment, systems and ocean, atmospheric, and space sciences and related technologies. In fulfillment of this mission, NRL:

- a. Initiates and conducts broad scientific research of a basic and long-range nature in scientific areas of interest to the Navy.
- b. Conducts exploratory and advanced technological development deriving from or appropriate to the scientific program areas.
- c. Within areas of technological expertise, develops prototype systems applicable to specific projects.
- d. Assumes responsibility as the Navy's principal R&D activity in areas of unique professional competence upon designation from appropriate Navy or Department of Defense (DoD) authority.

- e. Performs scientific research and development for other Navy activities and, where specifically qualified, for other agencies of the Department of Defense and, in defense-related efforts, for other Government agencies.
- f. Serves as the lead Navy activity for space technology and space systems development and support.
- g. Serves as the lead Navy activity for mapping, charting, and geodesy (MC&G) research and development for the National Geospatial-Intelligence Agency.

Activity Group Composition:

In addition to its Washington, D.C. campus of about 131 acres and 85 main buildings, NRL maintains 14 other research sites, including a vessel for fire research and a Flight Squadron. The many diverse scientific and technological research and support facilities include a large facility located at the Stennis Space Center in Bay St. Louis, Mississippi, a facility at the Naval Support Activity, Monterey Bay in Monterey, California, the Chesapeake Bay Detachment in Maryland, and additional sites located in Maryland, Virginia, Alabama, and Florida.

The Scientific Development Squadron One (VXS-1), located aboard the Patuxent River Naval Air Station in Lexington Park, Maryland, operates and maintains three uniquely configured P-3 Orion and two RC-12 Huron turboprop aircraft as airborne research platforms for worldwide scientific research operations.

The Chesapeake Bay Detachment occupies a 168-acre site near Chesapeake Beach, Maryland, and provides facilities and support services for research in radar, electronic warfare, optical devices, materials, communications, and fire rescue. Because of its location high above the Chesapeake Bay on the western shore, unique experiments can be performed in conjunction with the Tilghman Island site 16 km across the bay.

The NRL Stennis Space Center (NRL-SSC) is a tenant activity at NASA's Stennis Space Center. Other Navy tenants at the Stennis Space Center include the Naval Meteorology and Oceanography Command and the Naval Oceanographic Office, who are major operational users of the oceanographic and atmospheric research and development performed by the NRL. This unique concentration of operational and research oceanographies makes NRL-SSC the center of naval oceanography and the largest such grouping in the western world.

The Marine Meteorology Division at Monterey, California, a tenant activity of the Naval Support Activity, Monterey Bay, is collocated with the Fleet Numerical Meteorology and Oceanography Center to support development of numerical atmospheric prediction systems and related user products. This collocation allows easy access to a large vector classified supercomputer mainframe, providing real time as well as archived global

atmospheric and oceanographic databases for research at Monterey and at other NRL locations.

Significant Changes Since the FY 2008 President's Budget:

There are no significant changes in the activity group or composition since the FY 2008 President's Budget.

Financial Profile:

<u>Revenue/Expense/NOR/AOR (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$628.7	\$647.4	\$662.9
Expense	<u>618.8</u>	<u>659.0</u>	<u>673.5</u>
Operating Results	9.9	-11.6	-10.6
Other Changes Affecting AOR	<u>-3.0</u>	<u>0.0</u>	<u>0.0</u>
Accumulated Operating Results (AOR)	<u>22.2</u>	<u>10.6</u>	<u>0.0</u>

Revenue and Expense: The trend in revenue and expense from year to year is relatively steady; increases are primarily due to inflation.

Operating Results: The favorable Accumulated Operating Results (AOR) are primarily due to a positive stabilized rate variance. The FY 2009 rate is established to achieve an end-of-year AOR of zero.

Collections/Disbursements/Outlays

<u>(\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	\$627.6	\$641.5	\$658.6
Disbursements	<u>618.8</u>	<u>648.4</u>	<u>669.0</u>
Outlays	<u>-8.8</u>	<u>6.9</u>	<u>10.4</u>

Fluctuations in Net Outlays primarily reflect the impact of NOR, discussed above.

Workload:

<u>Reimbursable Orders (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	\$641.8	\$642.7	\$659.1

Major NRL customers include the Office of Naval Research, the Naval Sea Systems Command, the Naval Air Systems Command, the Space and Naval Warfare Systems Command, the Defense Advanced Research Projects Agency, Naval Warfare Centers, the Army, the Air Force, other Navy and Department of Defense customers, the Department of Energy, and the National Aeronautics and Space Administration.

<u>Direct Labor Hours (000)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	2,807	2,976	2,962

A conservative and steady workforce profile is projected through FY 2009 given the relatively consistent customer funding plans.

Performance Indicators:

The primary performance indicator is unit cost.

<u>Unit Cost</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Stabilized Cost (\$Millions)	\$346.0	\$368.6	\$377.5
Workload (DLHs) (000)	2,807	2,976	2,962
Unit cost (per DLH)	\$123.28	\$123.88	\$127.44

The unit cost is a measurement of total direct labor and overhead costs per direct labor hour. The changes in unit cost primarily reflect increases for annual inflation/price changes from year to year. Other performance indicators are direct labor hours and NOR performance, discussed above.

<u>Stabilized / Composite Rates</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Stabilized Rate	\$117.08	\$119.64	\$126.33
Change from Prior Year		+2.19%	+5.59%
Composite Rate Change		+2.29%	+3.80%

The Stabilized Rate consists of direct labor and applied overhead. Unique direct non-labor costs are billed on a reimbursable basis to the benefiting/requiring customer. The Composite Rate Change incorporates both the stabilized costs and the reimbursable costs. The FY 2009 rate increase is primarily due to pricing/inflation adjustments offset by a reduction in AOR payback.

Staffing:

<u>Civilian/Military ES & Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	2,357	2,503	2,503
Civilian Workyears (Straight Time)	2,301	2,402	2,402
Military End Strength	82	72	72
Military Workyears	76	66	55

Civilian Personnel: Civilian strength levels, measured by both end strength and full-time equivalents (FTE), reflect a steady workforce.

Military Personnel: Military personnel levels decline in the budget years due to decreased operational requirements of the Scientific Development Squadron One (VXS-1).

Capital Investment Program (CIP) Budget Authority:

<u>Capital Investment Program (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment, Non-ADPE / Telecom	\$10.0	\$9.4	\$10.6
Equipment, ADPE / Telecom	2.8	1.5	1.5
Software Development	0.0	0.0	0.0
Minor Construction	<u>1.6</u>	<u>2.0</u>	<u>2.0</u>
Total	14.4	12.9	14.1

This CIP plan provides a modest investment level that allows NRL to acquire needed technology to maintain a state-of-the-art facility to fulfill science and technology mission areas supporting the Department of the Navy (DON), Department of Defense (DoD), and related customer programs. The fluctuation between fiscal years is due to the increase of the capital threshold from \$100K to \$250K, which resulted in the transfer of several projects from the Capital Investment Program to the Operating Budget.

Carryover Compliance:

<u>Carryover (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
New Orders	\$641.8	\$642.7	\$659.1
Less Exclusions:			
Foreign Military Sales	1.0	1.7	1.8
Base Realignment and Closure	0.0	0.0	0.0
Other Federal Departments & Agencies	70.7	87.2	89.4
Non-Federal Agencies & others	9.8	11.2	11.5
Major Range & Test Facility Base	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Orders for Carryover Calculation	560.3	542.6	556.4
Composite Outlay Rate	52.3%	52.6%	52.6%
Carryover Ceiling Rate	47.7%	47.4%	47.4%
Carryover Ceiling	267.0	257.1	263.7
Balance of Customer Orders at Year End	220.8	216.1	212.3
Less Work-in-Process	0.3	0.3	0.3
Less Exclusions			
Foreign Military Sales	0.9	0.7	0.6
Base Realignment and Closure	0.0	0.0	0.0
Other Federal Departments & Agencies	45.1	33.1	29.7
Non-Federal Agencies & Others	6.2	4.4	3.9
Major Range & Test Facility Base	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Carryover Budget*	168.3	177.7	177.8

Budgeted carryover is within the ceiling allowed via published outlay rates.

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Revenue and Expenses
Activity: Naval Research Laboratory (NRL)
February 2008
(\$ in Millions)

	FY 2007 CON	FY 2008 CON	FY 2009 CON
Revenue:			
Gross Sales			
Operations	610.5	630.7	646.3
Surcharges	3.1	.0	.0
Depreciation excluding Major Construction	15.2	16.8	16.6
Other Income			
Total Income	628.7	647.4	662.9
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	3.9	3.6	3.2
Civilian Personnel	272.7	295.0	303.5
Travel and Transportation of Personnel	9.2	9.3	9.5
Material & Supplies (Internal Operations)	30.6	44.5	44.1
Equipment	23.4	24.0	24.4
Other Purchases from NWCF	10.7	14.8	15.2
Transportation of Things	.8	1.6	1.6
Depreciation - Capital	15.2	16.8	16.6
Printing and Reproduction	.1	.2	.2
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	25.4	23.4	23.9
Other Purchased Services	226.6	225.8	231.2
Total Expenses	618.5	659.0	673.5
Work in Process Adjustment	.3	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	618.8	659.0	673.5
Operating Result	9.9	-11.6	-10.6
Less Surcharges	-3.1	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.1	.0	.0
Net Operating Result	6.9	-11.6	-10.6
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	22.2	10.6	.0

Exhibit Fund-14 Revenue and Expenses

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Sources of Revenue
Activity: Naval Research Laboratory (NRL)
February 2008
(\$ in Millions)

	FY 2007 CON -----	FY 2008 CON -----	FY 2009 CON -----
1. New Orders	642	643	659
a. Orders from DoD Components	552	535	549
Department of the Navy	378	374	384
O & M, Navy	17	24	24
O & M, Marine Corps	0	2	2
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	1	1	1
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	2	2	2
Other Procurement, Navy	2	4	4
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	355	343	352
Military Construction, Navy	0	0	0
National Defense Sealift Fund	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	9	7	7
Army Operation & Maintenance	0	0	0
Army Res, Dev, Test, Eval.	5	6	7
Army Procurement	0	0	0
Army Other	4	0	0
Department of the Air Force	45	51	52
Air Force Operation & Maintenance	4	6	6
Air Force Res, Dev, Test, Eval.	24	23	23
Air Force Procurement	16	22	22
Air Force Other	0	0	0
DOD Appropriation Accounts	121	103	106
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	7	3	3
Res, Dev, Test & Eval. Accounts	109	96	98
Procurement Accounts	4	2	2
Defense Emergency Relief Fund	0	0	0
DOD Other	1	3	3
b. Orders from other WCF Activity Groups	8	8	8
c. Total DoD	560	543	556
d. Other Orders	82	100	103
Other Federal Agencies	71	87	89
Foreign Military Sales	1	2	2
Non Federal Agencies	10	11	12
2. Carry-In Orders	208	221	216
3. Total Gross Orders	850	864	875
a. Funded Carry-Over before Exclusions	221	216	212
b. Total Gross Sales	629	647	663
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, ERAC, FMS, Inst. MRIFB (-)	-52	-38	-34
6. Net Funded Carryover	168	178	178

Note: Line 4 (End of Year Work-In-Process) is adjusted for Non-DoD, ERAC, FMS and Institutional MRIFB

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Changes in the Cost of Operations
Activity: Naval Research Laboratory
February 2008
(\$ in Millions)

	Expenses

FY 2007 Actual	618.8
FY 2008 Estimate in FY 2008 President's Budget:	655.6
Pricing Adjustments:	
Change in FY 2008 Pay Raise	1.0
General Inflation	-1.5
Program Changes:	
Impact of Increase in Capital Investment Program (CIP) Threshold	4.1
Other	0.8
Efficiency Initiatives	-1.0
FY 2008 Current Estimate:	659.0
Pricing Adjustments:	
Civilian Personnel Pay Raise	
Impact of 2009 Pay Raise	7.0
Annualization of Prior Year Pay Raise	2.6
Military Personnel Pay Raise	
Impact of 2009 Pay Raise	0.1
Annualization of Prior Year Pay Raise	0.0
General Purchase Inflation	6.8
Program Changes:	
Increased Maintenance Costs	1.2
Military Labor Costs	-0.5
Impact of Increase in CIP Threshold	-1.5
Impact of One Less Day Paid	-1.1
Other Changes	-0.1
FY 2009 Current Estimate:	673.5

Activity Group Capital Investment Summary
Department of the Navy
Research and Development / Naval Research Laboratory
February 2008
\$ in Millions

Line #	Description	FY 2007		FY 2008		FY 2009	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
001	Non-ADPE Equipment						
	- Replacement Capability	2	\$0.959	0	\$0.000	2	\$1.325
	- Productivity Capability	1	\$0.300	4	\$1.750	2	\$1.175
	- New Mission Capability	22	\$8.811	17	\$7.661	18	\$8.114
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
002	ADPE and Telecom Equipment						
	- Computer Hardware (Production)	5	\$2.054	3	\$0.800	3	\$1.100
	- Computer Software (Operating)	1	\$0.203	0	\$0.000	0	\$0.000
	- Telecommunications	1	\$0.450	1	\$0.375	1	\$0.400
	- Oth Computer & Telecom Spt Equip	0	\$0.000	2	\$0.340	0	\$0.000
003	Software Development						
	- Projects = or > \$1M (List Separately)	0	\$0.000	0	\$0.000	0	\$0.000
	- Projects < \$1M	0	\$0.000	0	\$0.000	0	\$0.000
004	Minor Construction						
	- Replacement Capability	1	\$0.472	1	\$0.750	1	\$0.750
	- Productivity Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- New Mission Capability	4	\$1.139	3	\$1.250	3	\$1.250
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
	Grand Total	37	\$14.388	31	\$12.926	30	\$14.114
	Total Capital Outlays		\$14.127		\$12.926		\$14.114
	Total Depreciation Expense		\$15.219		\$16.753		\$16.581

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			FISCAL YEAR (FY) 2009 BUDGET ESTIMATES				
Department of the Navy / Research and Development Research Laboratory February 2008	Naval	#001 - Non-ADPE Replacement Capabilities				NRL Washington, DC	
Non-ADPE Equipment		FY 2007		FY 2008		FY 2009	
		Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Unit Cost
			Total Cost		Total Cost		Total Cost
Replacement Equipment		2	0.959			2	1.325
Total		2	0.959			2	1.325
Justification:							
<p><u>Non-ADPE Equipment:</u></p> <p>As part of NRL's continued mission to remain at the forefront of research, development and technology, two investments in the replacement capability are proposed for FY 2009. In both cases, replacement of aging and/or outdated equipment is necessary as the current equipment is becoming obsolete. Newly acquired equipment in the areas of moving target capability and spacecraft testing will enable NRL to sufficiently meet research requirements for highly visible government programs. Pre-investment economic analyses were performed for both projects.</p>							

(\$ in Thousands)

FISCAL YEAR (FY) 2009 BUDGET ESTIMATES

Department of the Navy / Research and Development Research Laboratory February 2008		Naval	#001 - Non-ADPE Productivity Capabilities				NRL Washington, DC	
		FY 2007		FY 2008		FY 2009		
		Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Unit Cost	
Non-ADPE Equipment			Total Cost		Total Cost		Total Cost	
Productivity Equipment		1	0.300	4	1.750	2	1.175	
Total		1	0.300	4	1.750	2	1.175	
Justification:								
<u>Non-ADPE Equipment:</u>								
<p>As part of NRL's continued mission to remain at the forefront of research, development and technology, several investments in the productivity capability are proposed for both FY 2008 and FY 2009. In FY 2008, two of the proposed projects will enhance the capability of the current equipment in the areas of biosensor, magnetic sensor, nanoscale magnetism, as well as single crystal and powder diffraction. Additional projects in FY 2008 will focus on the development of space qualified hardware, spacecraft development, integration, and testing. In FY 2009, equipment acquisition will support Navy and DoD programs in the areas of densification of ceramics and gun-fire detection and location research as related to anti-ship capable missile threats. Pre-investment economic analyses were performed for all projects.</p>								

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			FISCAL YEAR (FY) 2009 BUDGET ESTIMATES					
Department of the Navy / Research and Development Research Laboratory February 2008	Naval	#001 - Non-ADPE New Mission Capabilities				NRL Washington, DC		
			FY 2007		FY 2008		FY 2009	
			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADPE Equipment								
New Mission Equipment			22		8.811	17		7.661
Total			22		8.811	17		7.661
Justification:								
<u>Non-ADPE Equipment:</u>								
<p>These projects preserve and enhance the capabilities required to maintain a technologically advanced, state-of-the-art laboratory and are tied directly to NRL's science and technology (S&T) mission. These include the "43 Gigabit/Second Transmission Analyzer" project which will provide research capability in the area of fiber optic digital communications systems. Pre-investment economic analyses were performed for all projects.</p>								

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES					
Department of the Navy / Research and Development Naval Research Laboratory February 2008		#002 - ADPE and Telecommunications Capabilities			NRL Washington, DC		
		FY 2007		FY 2008		FY 2009	
		Quant	Unit Cost	Quant	Unit Cost	Quant	Unit Cost
			Total Cost		Total Cost		Total Cost
ADPE and Telecommunications Equipment							
Computer Hardware (Production)		5	2.054	3	0.800	3	1.100
Computer Software (Operating System)		1	0.203				
Telecommunications		1	0.450	1	0.375	1	0.400
Other Computer & Telecommunications Spt Equipment				2	0.340		
Total		7	2.707	6	1.515	4	1.500

Justification:

ADPE and Telecommunications Equipment:

Computer Hardware (Production)

Investments in computer hardware (production) include three projects in both FY 2008 and FY 2009. In FY 2008, NRL proposes to make an investment in the area of tapeless backup and disaster recovery that will save at least \$5K per year in tape purchases, reduce time spent on purchasing and rotating tapes between facilities, lesson storage space requirements and provide faster backup and restoration capabilities. Additional computer hardware (production) investments will be made in an effort to upgrade existing, computer assets and infrastructure capabilities as related to data storage, secure remote access, collaborative technologies, core security and directive services. The proposed end results will improve NRL's functionality, performance, capacity, efficiency, security, standards compliance, manageability, and maintainability as related to ongoing research efforts. Pre-investment economic analyses were performed for all projects. New hardware costs less to maintain than the equipment it replaces, and increased reliability and longer warranties will reduce the need for annual hardware maintenance contracts. Lower operation and labor costs will also be realized. In FY 2009, investments in basic perceptual science, applied research into intelligence analysis and security, visual analytics, parallel computation, data archiving, and analysis are proposed. Pre-investment economic analyses were performed for all projects; purchase acquisition will result in lower operational costs due to less maintenance costs as well as related labor costs.

Telecommunications

Investments in telecommunications include one project in both FY 2008 and FY 2009. In FY 2008, NRL will invest in an integrated, fast network environment to support seamless usage of the Fleet Numerical Meteorology and Oceanography Center, remote DoD high performance computing centers, local computing facilities, as well as local/remote data storage facilities. The end result will be a new network with a new topology that is currently needed to support new research efforts. Pre-investment economic analyses were performed for all projects. The cost of upgrading the existing infrastructure will exceed the total acquisition cost of the proposed solution.

Other Computer & Telecommunications Spt Equipment

In FY 2008, NRL will construct a team of anthropomorphic robot systems that will allow NRL to understand and design human-robot team behaviors and to study how U.S. soldiers will work with such teams and incorporate the teams into their operations; with an emphasis in operations such as force protection, the Global War on Terrorism, and surveillance. Currently, no companies produce anthropomorphic robots and simulation is not possible due to the complex interactions between war fighters and real physical systems. A pre-investment economic analysis was performed; purchase acquisition will result in a benefit/investment ratio of 2.38. Purchasing also has an additional non-economic benefit in that it represents a new level of capability for NRL's state-of-the-art research.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)			FISCAL YEAR (FY) 2009 BUDGET ESTIMATES				
Department of the Navy / Research and Development Research Laboratory February 2008	Naval	#004 - Minor Construction				NRL Washington, DC	
		FY 2007		FY 2008		FY 2009	
		Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Unit Cost
Minor Construction			Total Cost		Total Cost		Total Cost
Replacement		1	0.472	1	0.750	1	0.750
Productivity							
New Mission		4	1.139	3	1.250	3	1.250
Environmental							
Total		5	1.611	4	2.000	4	2.000
Justification:							
<u>Minor Construction:</u> No minor construction project exceeds the current MILCON threshold.							
<u>REPLACEMENT</u>							
In order for NRL to comply with current guidelines as outlined in DoD's Antiterrorism Standards (DoD Standard 13), an FY 2008 minor construction investment to upgrade and/or replace existing equipment is necessary in order to enable security personnel sufficient barriers to control, deny, impede, delay or discourage access by unauthorized persons. No such barriers are currently in place. There exists no feasible alternative that will allow compliance with Navy and DOD regulations. The proposed project is considered the most viable option because it provides the needed security level. In FY 2009, construction of sufficient space to support research and development in communications systems, data collection, telemetry and control systems, spacecraft test systems, and satellite simulators is necessary and will allow NRL to remain on the cutting edge of technology in those areas. An alternative to lease space for the above purposes is not cost effective and will greatly exceed the proposed cost. Pre-investment economic analyses were performed for all projects. There are no economic benefits for either projects; they correct non-economic deficiencies.							
<u>NEW MISSION</u>							
Proposed minor construction projects in FY 2008 and FY 2009 will convert existing storage space into usable laboratories as related to spacecraft and satellite technologies. Activities include the development of spacecraft systems, ground command, and control stations. There are no known viable alternatives, due to the current location of subsystem work that supports development and integration. Pre-investment economic analyses were performed for all projects and no cost savings exist; these projects would correct non-economic deficiencies.							

Fiscal Year (FY) 2009 Budget Estimates
Navy Working Capital Fund
Capital Budget Execution
Activity: Naval Research Laboratory
February 2008

PROJECTS ON THE FY 2009 PRESIDENT'S BUDGET

		(Dollars in Millions)				
<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation/Reason for Change</u>
Equipment except ADPE and TELECOM						
2008	Equipment except ADPE and TELECOM (>\$1M)	1.000	0.000	1.000	-1.000	
	43 Gb/s Transmission Analyzer	0.125	0.875	1.000	-0.125	1/
2008	Equipment except ADPE and TELECOM (≥\$500K <\$1M)	-0.500	1.000	0.500	0.500	1/
2008	Equipment except ADPE and TELECOM (<\$500K)	-3.874	11.785	7.911	3.874	1/
	Total Equipment except ADPE and TELECOM	-4.249	13.660	9.411	4.249	
Equipment - ADPE and TELECOM						
2008	Equipment - ADPE (>\$1M)	0.000	0.000	0.000	0.000	
2008	Equipment - ADPE (≥\$500K <\$1M)	0.000	0.000	0.000	0.000	
2008	Equipment - ADPE (<\$500K)	-0.125	1.640	1.515	0.125	1/
	Total Equipment - ADPE and TELECOM	-0.125	1.640	1.515	0.125	
Software Development						
2008	Software Development (<\$500K)	0.000	0.000	0.000	0.000	
	Total - Software Development	0.000	0.000	0.000	0.000	
Minor Construction						
2008	Minor Construction (≥\$500K <\$1M)	0.000	1.500	1.500	0.000	
2008	Minor Construction (<\$500K)	0.000	0.500	0.500	0.000	
	Total - Minor Construction	0.000	2.000	2.000	0.000	
	Total FY 2008 Capital Purchase Program	-4.374	17.300	12.926	4.374	

1/ Increase in capital threshold in addition to the cancelling of projects to fund higher priority projects.

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MILITARY SEALIFT COMMAND

Military Sealift Command

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008
TRANSPORTATION
MILITARY SEALIFT COMMAND**

Mission Statement / Overview

The Military Sealift Command (MSC) acts as the single manager-operating agency for sealift services. MSC operates as a Working Capital Fund (WCF) in two separate entities. This submission addresses MSC's Navy mission funded by the Navy Working Capital Fund (NWCF), providing support to the Fleet Commanders (FLTCOMs) and other DOD activities by providing unique vessels and programs. The second mission, providing sealift support for DOD cargoes in peacetime, is accomplished through the Transportation Working Capital Fund (TWCF) under the auspices of the US Transportation Command (TRANSCOM). Ship availability for MSC customers is the metric for evaluating mission performance in the sealift transportation business area.

Activity Group Composition:

MSC supports the FLTCOMs for Pacific and Atlantic Fleets (COMPACFLT and USFFC), the Naval Sea Systems Command (NAVSEA), the Space and Naval Warfare Systems Command (SPAWAR), the Strategic Systems Programs (DIRSSP), the US Air Force, and the National Defense Sealift Fund (NDSF) with unique vessels and programs. The three programs budgeted through the Navy Working Capital Fund (NWCF) are:

1. Naval Fleet Auxiliary Force (NFAF): Provides support utilizing civilian mariner manned non-combatant ships for material support and ocean going tugs.
2. Special Mission Ships (SMS): Provides unique seagoing platforms, operation of Navy Command Ships, and contracted Harbor Tugs.
3. Afloat Positioning Force - Navy (APF-N): Deploys advance materiel for strategic lifts for the Marine Expeditionary Forces.

Significant Changes Since the FY 2008 President's Budget:

NFAF:

FY 2008: The USNS COMFORT completed a humanitarian mission in South America at the end of October 2007.

FY 2009: Three T-AFS are deactivated. The SOCAL Tow is realigned from NFAF to SMS.

SMS:

FY 2008: No significant changes.

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008
TRANSPORTATION
MILITARY SEALIFT COMMAND**

FY 2009: High Speed Vessel (HSV) SWIFT is transferred to MSC. Bluewater, Gemstone, Silver Star, and Greystone added to per diem program. SOCAL Tow realigned from NFAF.

APF-N: No changes in either FY 2008 or FY 2009.

Financial Profile:

<u>Revenue/Expense/NOR/AOR (\$ Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$2,291.3	\$2,438.6	\$2,349.0
Expense	2,274.7	2,521.5	2,537.7
Operating Results	16.6	-82.9	-188.7
Other Changes Affecting AOR	71.1		
Accumulated Operating Results (AOR)	271.6	188.7	0.0

Revenue and Expense: The changes in revenue and expense from year to year are due to increases in workload – i.e. 1,847 per diem days from FY 2007 to FY 2008 and 709 per diem days from FY 2008 to FY 2009. Additionally, revenue in FY 2008 and FY 2009 is impacted by significant approved increases in fuel prices. FY 2009 revenue reflects requirement to attain a zero AOR at the end of the fiscal year.

Operating Results: The FY 2008 President’s Budget reflected an NOR of \$-73.8M vice the current estimate of \$-82.9M for FY 2008. The less favorable result is due primarily to shift in dry-docking schedule and maintenance and repair. FY 2009 reflects requirement to achieve a zero AOR.

Collections/Disbursements/Outlays (\$ Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	\$2,165.2	\$2,558.6	\$2,348.9
Disbursements	\$2,212.0	\$2,461.1	\$2,409.5
Outlays	\$46.8	\$-97.5	\$60.6

Collections: FY 2009 reflects expected revenue.

Disbursements: This represents budgeted expenses as modified by Maritime Prepositioning Ships (MPS) principal payments and Capital Investment Program (CIP) outlays.

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008
TRANSPORTATION
MILITARY SEALIFT COMMAND**

Workload:

<u>Per Diem Days</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
NFAF	14,003	15,177	15,099
SMS	17,155	17,811	18,615
APF-N	6,205	6,222	6,205

The NFAF program decreases over the FY 2008 President's Budget due mainly to the slip in the T-AKE program. Decreases in FY 2009 are due primarily to deactivations of T-AFs. The SMS decrease from the approved estimate in FY 2007 is due to the CORONADO being deactivated a year early in FY 2006. The increase in FY 2009 is due to the inclusion of per diem days and establishment of a stabilized rate for four T-AGS. APF-N is stable in all years.

<u>Reimbursable Orders (\$ Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	\$2,304.0	\$2,439.0	\$2,349.0

Orders for MSC equate to revenue. Variances are due to changes in per diem days, fuel price increases, and the requirement to attain zero AOR in FY 2009.

<u>Direct Labor Hours (000)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	11,495	12,090	12,029

Direct labor hours refer to CIVMARs only. Increases for FY 2008 and FY 2009 refer primarily to new T-AKEs, Frank Cable, and annualization of Emory Land.

Performance Indicators:

Program Performance is measured by "ship availability days," which measures days against plan that ships are actually available to perform the function for which they were intended. Any change in ship operation such as Full Operating Status (FOS) to Reduced Operating Status (ROS), transitioning ships between coasts, or changing ship status (e.g., from ROS-15, ROS-30 or ROS-45) are coordinated with the respective MSC customer.

A summary of performance goals is reflected below:

<u>Performance Measure</u>	<u>Goal</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Ship Availability	95%	100%	95%	95%

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008
TRANSPORTATION
MILITARY SEALIFT COMMAND**

<u>Unit Cost</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
NFAF	88,909	87,145	94,298
SMS	15,701	19,370	21,671
APF-N	71,276	87,383	77,534

MSC operates under three distinct unit cost goals - one for each of the programs. All programs have cost/per day as the unit cost basis (costs include only per diem expenses in the annual operating budget (AOB) as per OSD guidelines). Ship mix – e.g. harbor tugs and T-AOEs – impacts unit cost levels. Changes in all years are primarily a function of approved escalation, fuel, CIVMAR salaries, ship mix, Capital Hire, and M&R.

<u>Stabilized / Composite Rates</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
NFAF	2.7%	8.7%	2.6%
SMS	13.6%	-3.4%	18.8%
APF-N	-29.5%	42.9%	-33.1%

FY 2007 and FY 2008 rates reflect the President's budget approved program. Rates for FY 2009 reflect recoupment of negative AOR for SMS and return of prior year positive AOR for NFAF and APF-N.

Staffing:

<u>Civilian/Military ES & Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	5,796	6,256	6,135
Civilian Workyears (Straight-time)	7,459	7,807	7,821
Military End Strength	456	555	374
Military Workyears	477	542	371

Civilian Personnel:

Afloat: Changes relate mainly to manning levels for the T-AOE and a reduction in the pipeline from 27.5% to 25%.

Ashore: End strength numbers vary across the budget years due to the effect of MSC transformation initiatives. While total overall *requirements* remain steady, expected end strength will vary due to transformation impact.

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008
TRANSPORTATION
MILITARY SEALIFT COMMAND**

Military Personnel:

Changes are due mainly to a combination of increases for T-AKEs offset by decreases for T-AFS deactivations and Civilian Substitutions (CIVSUB/Military-to-Civilian Conversions) associated with T-AOEs.

Capital Investment Program (CIP) Budget Authority:

<u>Capital Investment Program (\$ Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment, Non-ADP / Telecom	\$0.0	\$2.0	\$2.0
Equipment, ADPE / Telecom	3.5	4.8	4.8
Software Development	8.4	7.2	7.3
Minor Construction	.1	.4	.2
Total	12.0	14.4	14.3

Information Technology (IT/ADP) efforts represent the predominant share of CPP costs. These efforts include migration to a paperless environment; secure storage of engineering materials, ADPE for Shipboard local area networks (LANs) and systems development efforts – e.g. mandated travel system, financial management (FMS), etc.

MSC also has a new CIP requirement (Shipboard Security Module/SSM) associated with peacetime FP efforts. This effort originally was slated to begin in FY 2007, however, due to a combination of delays and change in threshold, initial purchases at a reduced level will begin in FY 2008.

The FY 2008 President's Budget included a requirement for the purchase of forklifts. These items no longer meet the criteria for CIP with the change in threshold to \$250K. The cost of \$6M now is reflected as an increase to MSC expense.

FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
MILITARY SEALIFT COMMAND
REVENUE and EXPENSES
FEBRUARY 2008
AMOUNT IN MILLIONS

	FY 2007 CON	FY 2008 CON	FY 2009 CON
Revenue:			
Gross Sales			
Operations	2,275.2	2,418.0	2,325.3
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	16.1	20.6	23.7
Other Income			
Total Income	2,291.3	2,438.6	2,348.9
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	34.5	32.1	24.2
Civilian Personnel	551.3	607.2	633.2
Travel and Transportation of Personnel	27.7	20.8	21.0
Material & Supplies (Internal Operations)	395.3	572.3	574.2
Equipment	58.3	78.3	78.3
Other Purchases from NWCF	1.4	1.2	1.2
Transportation of Things	8.1	5.3	6.0
Depreciation - Capital	16.1	20.6	23.7
Printing and Reproduction	.4	.6	.7
Advisory and Assistance Services	1.6	2.1	2.1
Rent, Communication & Utilities	560.0	517.9	530.5
Other Purchased Services	620.0	663.2	642.5
Total Expenses	2,274.7	2,521.4	2,537.7
Work in Process Adjustment	.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	2,274.7	2,521.4	2,537.7
Operating Result	16.6	-82.9	-188.8
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	16.6	-82.9	-188.8
Other Changes Affecting AOR	71.1	.0	.0
Accumulated Operating Result	271.6	188.8	.0

FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
MILITARY SEALIFT COMMAND
SOURCE of REVENUE
FEBRUARY 2008
AMOUNT IN MILLIONS

	FY 2007 CCN -----	FY 2008 CCN -----	FY 2009 CCN -----
1. New Orders	2,304	2,439	2,349
a. Orders from DoD Components	2,298	2,433	2,344
Department of the Navy	2,261	2,405	2,302
O & M, Navy	1,565	1,704	1,842
O & M, Marine Corps	19	0	0
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	0	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	-14	20	0
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	5	0	0
Military Construction, Navy	0	0	0
National Defense Sealift Fund	0	0	0
Other Navy Appropriations	688	680	460
Other Marine Corps Appropriations	0	0	0
Department of the Army	-3	0	0
Army Operation & Maintenance	-3	0	0
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	38	28	42
Air Force Operation & Maintenance	38	28	42
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	1	0	0
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	2	0	0
Res, Dev, Test & Eval Accounts	0	0	0
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	3	5	5
c. Total DoD	2,300	2,438	2,349
d. Other Orders	4	0	0
Other Federal Agencies	4	0	0
Foreign Military Sales	0	0	0
Non Federal Agencies	0	0	0
2. Carry-In Orders	275	288	288
3. Total Gross Orders	2,579	2,727	2,637
a. Funded Carry-Over before Exclusions	288	288	288
b. Total Gross Sales	2,291	2,439	2,349
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-2	-2	-2
6. Net Funded Carryover	286	286	286

Note: Line 4 (End of Year Work-In-Process)
Is adjusted for Non-DoD, BRAC & FMS
and Institutional MRIFB

**Fiscal Year (FY) 2009 Budget Estimates
Changes in the Costs of Operation
Military Sealift Command/Transportation
(Dollars in Millions)
February 2008**

	Total Expenses
1. FY 2007 Actual:	2,274.7
2. FY 2008 Estimate in FY2008 President's Budget:	2,425.1
3. Pricing Adjustments:	122.9
a. Revised Civilian Pay Raise	0.9
b. Fuel Pricing	128.0
c. General Inflation Pricing	(6.0)
4. Productivity Initiatives & Other Efficiencies:	(1.0)
a. Efficiency Initiatives	(1.0)
b. LEAN SIX SIGMA	-
c. Other	-
5. Program Changes:	(61.6)
a. Delayed Delivery T-AKE 4, 5 & 6	(47.9)
b. T-AKE 6 PSA Activation Delay	(4.6)
c. T-AFS SPICA Deactivation	4.0
d. BOBO Caphire not required	(15.2)
e. Comfort Deployment	2.1
6. Other Changes:	36.0
a. Depreciation	7.9
b. Shipboard Security Module Expense	2.0
c. Forklift Expense	6.0
d. Civmar average salary increase	3.7
e. Norfolk move slipped	14.4
f. Other	2.0
7. FY 2008 Current Estimate:	2,521.4
8. Pricing Adjustments:	28.9
a. FY 2009 Pay Raise	7.0
(1) Civilian Personnel	5.9
(2) Military Personnel	1.1
b. Annualization of Prior Year Pay Raises	15.3
(1) Civilian Personnel	15.3
(2) Military Personnel	-
c. Fuel	(19.0)
d. Working Capital Fund Price Changes	-
e. General Purchase Inflation	25.6
9. Productivity Initiatives & Other Efficiencies:	-
a.	-
10. Program Changes:	(12.1)
a. Reduced Civmar requirements - e.g. T-AFS, Saturn	(7.8)
b. Increase in NFAF and APFN reimbursables (total)	51.5
c. Additional T-AKE	11.7
d. Commercial Augmentation	-
e. Military Augmentation	-
f. Flying Hour Change	-
g. Other	(67.5)
Reduced MPS charter hire	(59.8)
Reduced M&R	(5.3)
BONNYMAN Overhaul shifted to FY10	(9.2)
LUMMUS Overhaul shifted to FY10	(9.2)
Reduced FP/Reimbursables	(9.5)
Civsub for military/Civilian Equiv Rates	(9.1)
Four OSVs not included in previous submissions	34.6
12. Other Changes:	(0.5)
a. Depreciation	3.6
b. General & Administrative	(2.4)
c. Impact of one less day	(1.7)
13. FY 2009 Estimate:	2,537.7

Activity Group Capital Investment Summary - PB
Department of the Navy
Military Sealift Command
Fiscal Year (FY) 2009 Budget Estimates
(\$ in Millions)

Line Number	Item Description	FY 2007		FY 2008		FY 2009		FY 2010	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	<u>Equipment</u>								
001	Replacement								
002	Productivity New Mission Environmental Compliance		0.0		2.0		2.0		
	ADPE & Telecomm								
003	Computer Hardware (Production) LAN		3.3		4.3		4.3		
	Computer Software (Operating) Telecommunications Other Communications and Telecommunications Support Equipment		0.2		0.5		0.5		
004	Software Development								
005	Systems HRMS		5.4 3.0		4.2 3.0		4.3 3.0		
006	Minor Construction Replacement Productivity New Mission Environmental Compliance		0.1		0.4		0.2		
	Grand Total		12.0	0	14.4	0	14.3	0	0.0
	<i>Note: FY 2007 reflects rounding</i>								
	Total Capital Outlays		12.9		13.2		14.1		
	Total Depreciation Expense		16.1		20.6		23.6		

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION

(Dollars in Thousands)

Fiscal Year (FY) 2009 Budget Estimates

Military Sealift Command/Transportation/ February 2008

002 Non-ADPE and Telcom/New Mission

Military Sealift Command

FY 2007

FY 2008

FY 2009

FY 2010

Non ADPE and Telecom Equip	FY 2007			FY 2008			FY 2009			FY 2010		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
New Mission Shipboard Security Module (SSM) - FY 2008 PreS Bud - Adjustment/Realign			13,300 (13,300)			2,000 0			2,000			
Total	0		0	0		2,000	0		2,000	0		0

Narrative Justification:

SSM will provide MSC mariners with an integrated security system to augment their limited manpower by detecting and monitoring shipboard intrusions. The system will be stand-alone without any connection to the existing shipboard Local Area Network (LAN.) The system is intended to be operational in all conditions: at port, at sea, and in both low and high threat conditions.

SSM installation will be accomplished during scheduled availability periods; these periods are and have been affected by increased OPTEMPO in support of OIF and GWOT. The preference would be to install on ships most frequently in harms way, however, scheduling is based purely on availability.

The SSM includes the following:

- Closed Circuit TV
- Intrusion Detection System
- Audible Warning System
- Hull Perimeter Lighting

Due to timing/"slipping" of other FP items, SSM funding was not required in FY 2007. Overall program requirement decreases with change in CPP threshold; obligation estimates have moved to the right by one year. Estimates have been coordinated within MSC FP priorities.

These items are critical as not funding poses possible hazards for ship operations in threat areas.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
(Dollars in Thousands)

Fiscal Year (FY) 2009 Budget Estimates

Military Sealift Command/Transportation/ February 2008

003 ADPE and Telecommunications Capabilit

Military Sealift Command

	FY 2007			FY 2008			FY 2009			FY 2010		
ADPE and Telecomm Equipment	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Computer Hardware (Production)		Varies	3,296		Varies	4,350		Varies	4,350		Varies	
Computer Software (Operating System)			204			450			450			
Telecommunications												
Other Computer & Telecomm Equip												
Total	0		3,500	0		4,800	0		4,800	0		0

Narrative Justification:

The above represents MSC requirements to implement unclassified and classified LANS at all ships, offices, area command, and headquarters world-wide. Equipment includes servers, routers, modem pools, printers, firewall, etc. Supports the installation of Public Key Infrastructure (PKI,) Remote Administration Application Servers, and Exchange 2000. Additionally, funding will provide the ability to integrate with MSC Financial Management System (FMS,) replicate data shoreside, and facilitate web enablement in accordance with Taks Force Web (TFW) directives. EA for FMS completed January 2005.

MSC requires equipment and software to maintain backup sites - i.e. Mission Continuity Plan (MCP.) The refresh requirements are not covered by NMCI or Base Level Infrastructure Implementation (BLII) plans.

No EA for afloat ADPE as this was a directed CPP cost by OSD.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							Fiscal Year (FY) 2009 Budget Estimates					
Military Sealift Command/Transportation/ February 2008				004 Software			Military Sealift Command					
	FY 2007			FY 2008			FY 2009			FY 2010		
SOFTWARE	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Information Systems/Dev			3,239			3,200			3,200			
Procure to Pay Initiative			2,122			964			1,140			
Financial Mgmt System (FMS)												
Total	0		5,361	0		4,164	0		4,340	0		0

Narrative Justification:

Development
All systems operate on existing MSC or Defense Mega Center (DMC) computers. All funds are for system design, product integration, acceptance testing, implementation, and documentation.

Various modules integrate existing worldwide procurement system with developing/deploying financial system; this ensures validation of accounting data at time of origination, and tracking of both procurement and funds control from obligation through payment.

Includes funding required to implement DOD mandated travel system and integrate it with the Command financial management system as well as the paperless environment.

Information Systems: IS Portal and FMS
IS Portal: This is a standards based web application that will seamlessly integrate shipboard and shore-side information technology function and processes into one integrated portal. MSC IS Portal will be integrated with the Navy Enterprise Portal (NEO.)

FMS: This is a DOD/DFAS migratory finance and accounting system. It is consistent with the requirements of the Financial Integrity Act, Anti-Deficiency Act, Joint Financial Management Improvement Program (JMIP), and the Chief Financial Officer (CFO) Act.

Procure to Pay Initiative
This initiative will provide for cross functional requirements and continuing development of enhancement and upgrades to MSC business systems. Supports the introduction of additional modules required to provide a total automated procure to pay solution for MSC. It also will support the development of interfaces required with external systems - e.g. DOD wide implementation of the End -to-End procurement process.

No EA was done, however, all items have obtained OSD Business Transformation Agency (BTA) certification.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							Fiscal Year (FY) 2009 Budget Estimates					
Military Sealift Command/Transportation/ February 2008				005 Software			Military Sealift Command					
	FY 2007			FY 2008			FY 2009			FY 2010		
SOFTWARE	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
HRMS			2,999			3,000			3,000			
Total	0		2,999	0		3,000	0		3,000	0		0

Narrative Justification:

MSC HRMS (Human Resources Management System)
 MSC has consolidated its civmar personnel functions at the Afloat Personnel Management Center (APMC.)
 This funding will satisfy the requirement to migrate to a paperless environment - i.e. total automation of the AP process, automated workflow and documentation management utilizing Oracle Human Resource (HR) and Payroll. Implementation of HR also will provide the ability to integrate with MSC's corporate data environment.

Note: CIVMAR personnel functions are not handled by the DOD Modern Defense Civilian Payroll Data System (DCPDS.)

No EA was done, however, all items have obtained OSD Business Transformation Agency (BTA) certification.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							Fiscal Year (FY) 2009 Budget Estimates					
Military Sealift Command/Transportation/ February 2008				006 Minor Construction			Military Sealift Command					
	FY 2007			FY 2008			FY 2009			FY 2010		
MINOR CONSTRUCTION	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Replacement Productivity New Mission Environmental		Varies	73		Varies	400		Varies	200		Varies	
Total	0		73	0		400	0		200	0		0

Narrative Justification:

The above covers requirements associated with the move of MSC personnel in the Norfolk Area. Renovation of all required buildings will allow MSCLANT to consolidate in the Tidewater area.

If funding is not provided, consolidation could not be completed and portions of MSC Transformation efforts would be curtailed.

Component: Military Sealift Command - PB
Activity Group: Transportation
Fiscal Year (FY) 2009 Budget Estimates
(\$ in Millions)

FY	Approved Projects	PB Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/Deficiency	Explanation
07	Equipment except ADPE	\$19.3	(\$19.3)	\$0.0	\$0.0	\$19.3	Realigned to FY 09
	ADPE & Telecomm LAN	\$4.8		\$4.8	\$3.5	\$1.3	Reflects actual experience
	Software Development Systems/Lan	\$8.4		\$8.4	\$8.4	\$0.0	No change
	Minor Construction	\$0.4		\$0.4	\$0.1	\$0.3	Reflects actual experience
	TOTAL FY 2007	\$32.9	(\$19.3)	\$13.6	\$12.0	\$20.9	
<hr/>							
08	Equipment except ADPE	\$18.0	(\$16.0)	\$2.0	\$2.0	\$16.0	Change in CPP threshold
	ADPE & Telecomm LAN	\$4.8		\$4.8	\$4.8	\$0.0	No change
	Software Development Systems/Lan	\$7.2		\$7.2	\$7.2	\$0.0	No change
	Minor Construction	\$0.4		\$0.4	\$0.4	\$0.0	No change
	TOTAL FY 2008	\$30.4	(\$16.0)	\$14.4	\$14.4	\$16.0	
<hr/>							
09	Equipment except ADPE	\$0.0	\$2.0	\$2.0	\$2.0	\$0.0	Realigned from FY 07
	ADPE & Telecomm LAN	\$4.8		\$4.8	\$4.8	\$0.0	No change
	Software Development Systems/Lan	\$7.3		\$7.3	\$7.3	\$0.0	No change
	Minor Construction	\$0.2		\$0.2	\$0.2	\$0.0	No change
	TOTAL FY 2009	\$12.3	\$2.0	\$14.3	\$14.3	\$0.0	

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FACILITIES ENGINEERING COMMAND

Facilities Engineering Commands

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT / FACILITIES ENGINEERING COMMAND'S (FEC)
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

MISSION STATEMENT / OVERVIEW:

The mission of the Facilities Engineering Commands (FECs) is to provide Navy, DOD, and other Federal clients with quality public works support and services. The FECs provide utilities services, facilities sustainment, transportation support, engineering services, and environmental services required by afloat and ashore operating forces and other activities.

The Naval Facilities Engineering Command (NAVFACENGCOM) continues with the transformation of its worldwide organization, which began in FY 2006. By integrating all Public Works Departments (PWDs) into the FECs there will now be one public works delivery model that will be a single touch point for all FEC products and services. The FECs will enable the Navy to leverage "best of class" technology with the amalgamation of former Engineering Field Divisions (EFDs), Engineering Field Activities (EFAs), Resident Officers in Charge of Construction (ROICC), independent PWDs and the former PWCs. In FY 2007, eleven CONUS PWDs and the OCONUS PWDs in Japan integrated into the FECs. By FY 2008, the final phase of the NAFACENGCOM reshaping will take place when the five remaining PWDs in Europe transfer into the NWCF. Sixteen installations throughout the world were not integrated due to BRAC decisions, joint basing decisions, NAVEUR closures, and three non-Commander, Navy Installations Command (CNIC) installations.

ACTIVITY GROUP COMPOSITION:

<u>ACTIVITY</u>	<u>LOCATION</u>
FEC Midwest	Great Lakes, Illinois
FEC Marianas	Agana, Guam, Marianas Islands
FEC Southeast	Jacksonville, Florida
FEC Mid-Atlantic	Norfolk, Virginia
FEC Hawaii	Pearl Harbor, Hawaii
FEC Southwest	San Diego, California
FEC Washington	Washington, D.C.
FEC Far East	Yokosuka, Japan
FEC Europe – Southwest Asia	Naples, Italy
FEC Northwest	Silverdale, Washington

Significant Changes Since the FY 2008 President's Budget:

There are no significant changes in the activity group composition since the FY 2008 President's Budget.

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT / FACILITIES ENGINEERING COMMAND'S (FEC)
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

Financial Profile:

Revenue/Expense/NOR/AOR (\$Millions)	FY 2007	FY 2008	FY 2009
Revenue	2,270.6	2,579.1	2,683.3
Expense	2,308.0	2,589.6	2,648.9
Operating Results	-37.4	-10.5	34.4
Other Changes Affecting AOR	13.5	0.0	0.0
Accumulated Operating Results (AOR)	-23.9	-34.4	0.0

Revenue and Expense: The trend in revenue and expense from FY 2007 to FY 2008 reflects the integration of the European PWDs. The FY 2008 to FY 2009 change reflects general inflation.

Operating Results: The loss in FY 2007 reflected the continuing higher prices for commercially purchased electricity. This loss in addition to the increasing cost for liquid fuel has increased the FY 2009 rates.

Other Changes Affecting AOR : FY 2007 reflects a transfer for the increase in fuel pricing from Defense Wide Working Capital Fund.

Collections and Disbursements/Outlays (\$Millions):

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	2,211.0	2,441.3	2,579.7
Disbursements	2,289.1	2,468.4	2,507.2
Net Outlays	78.1	27.1	-72.5

Workload:

<u>Reimbursable Orders (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	\$2,257.6	\$2,588.9	\$2,690.7

The FY 2007 to FY 2008 increase reflects the integration of the European PWDs.

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT / FACILITIES ENGINEERING COMMAND'S (FEC)
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

Acronym List

CHITS In-House request for work document	MBTU Million British Thermal Units
CUYD Cubic Yard	MWH Mega Watt Hour
KCF Thousand Cubic Feet	SRO Shop Repair Order
KGAL Thousand Gallons	LBS Pounds

UTILITY SERVICES (UNITS)	<u>MEASURE</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Electricity	MWH	7,270,615	7,419,983	7,616,089
Potable Water	KGAL	26,386,494	30,133,157	28,855,912
Salt Water	KGAL	9,211,451	8,780,133	8,111,524
Steam	MBTU	10,141,713	11,233,735	10,520,045
Sewage	KGAL	18,696,034	21,382,277	20,695,029
Natural Gas	MBTU	3,153,978	2,770,322	2,927,893
Compressed Air	KCF	11,898,746	16,520,391	10,902,954

SANITATION SERVICE	MEASURE	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
Refuse Coll & Disposal	CUYD	1,203,468	1,505,585	1,513,726
Pest Control	HOURS	82,994	73,525	71,581
Haz Waste I	GAL	155,387	364,010	315,653
Haz Waste II	LBS	11,161,278	10,221,728	11,347,732
Industrial Waste	KGAL	46,980	57,029	52,255
Environmental Eng	HOUR	32,587	65,922	64,530
Environmental Lab	TEST	81,106	94,310	78,691

TRANSPORTATION SERVICES	MEASURE	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment Rental	HOURS	40,338,713	43,389,825	43,687,059
Vehicle Ops	HOURS	683,453	1,052,473	1,007,745
Vehicle Maintenance	SRO	39,609	83,641	67,380

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT / FACILITIES ENGINEERING COMMAND'S (FEC)
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

MAINTENANCE & REPAIR	MEASURE	FY 2007	FY 2008	FY 2009
Specifics	JOBS	1,812	2,351	2,490
Minors	ITEMS	11,648	20,413	23,587
Emergency	CHITS	147,414	150,662	169,300
Service	CHITS	600,338	639,734	700,113
Recurring	ITEMS	86,840	85,742	89,549
Engineering Support		260,014	201,152	201,155

Performance Indicators:

The primary performance indicators for the FECs are workload indicators and annual rate changes presented in tables two and three above. Other key corporate performance measures include: operating results (as stated above), timeliness, workforce safety and client satisfaction. Timeliness is an extremely important client satisfaction indicator in the area of facilities sustainment; they are reported quarterly. The facility management and sustainment product line is also considering implementing a sustainment product customer satisfaction on a quarterly basis starting in FY 2008.

PERFORMANCE MEASUREMENTS	Goal	FY 2007 (Actual)	FY 2008 (Goal)	FY 2009 (Goal)
Emergency Work Response Time Schedule Adherence-	80%	87.2%	80%	80%
Service/Other Work Completion Date Schedule Adherence –	80%	83.5%	80%	80%

FY 2007, the FECs continued to provide best value and high quality products and services to fleet units and shore-based naval activities. FY 2007 operational challenges include the continued integration of 11 individual PWDs into the FECs (4 in FEC Southeast and 7 in FEC Far East) and continued efforts to implement a work force reshaping plan to meet right-sizing objectives and meet established net operating result targets. The continued escalation in purchased utility costs for electricity and natural gas and the increased cost of fuel presented an operational challenge for FECs in meeting budgeted operating results and AOR. Purchased utilities and fuel costs comprise almost half of total costs; therefore, any price changes have a significant impact on the operating results and AOR.

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT / FACILITIES ENGINEERING COMMAND'S (FEC)
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

DOLLARS PER UNIT UTILITY SERVICES	<u>MEASURE</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Electricity	MWH	113.07	123.69	120.75
Potable Water	KGAL	4.71	5.01	5.28
Salt Water	KGAL	.75	.85	.90
Steam	MBTU	26.71	31.71	33.05
Sewage	KGAL	6.12	6.13	6.61
Natural Gas	MBTU	14.47	13.34	13.13
Compressed Air	KCF	1.34	1.29	1.75

SANITATION SERVICE	<u>MEASURE</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
Refuse Coll & Disposal	CUYD	14.54	12.94	13.14
Pest Control	HOURS	27.99	45.83	47.55
Haz Waste I	GAL	11.54	7.19	8.47
Haz Waste II	LBS	.94	1.48	1.44
Industrial Waste	KGAL	220.01	183.65	217.50
Environmental Eng	HOUR	89.72	96.14	100.04
Environmental Lab	TEST	81.05	73.11	89.26

TRANSPORTATION SERVICES	<u>MEASURE</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment Rental	HOURS	4.05	4.88	4.84
Vehicle Ops	HOURS	42.85	57.72	59.61
Vehicle Maintenance	SRO	248.77	218.33	314.23

MAINTENANCE & REPAIR	<u>MEASURE</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Specifics	JOBS	41,658.76	30,318.51	31,844.40
Minors	ITEMS	5,854.13	4,546.92	3,898.83
Emergency	CHITS	131.92	136.90	117.09
Service	CHITS	116.33	138.21	125.74
Recurring	ITEMS	1,224.10	1,473.80	1,360.79
Engineering Support		125.68	203.27	189.76

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT / FACILITIES ENGINEERING COMMAND'S (FEC)
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

Utilities. Higher purchased electricity costs will continue to impact the FECs cost of operations. Even though the FECs are impacted by higher purchased utilities, we are implementing energy conservation measures that are reducing the quantities of electricity and natural gas consumed.

These initiatives included managing the kinds of fuel purchased; implementing efficient ways of using fuel to produce steam; aggressive energy management moving activities toward Common Output Level (COL) 3; arranging visits by Department of Energy (DOE) analysts to identify poor energy performers; maximizing the use of energy projects, increasing use of alternative sources of energy such as geothermal, ocean thermal, wind, solar, and wave; deploying Resource Efficiency Managers who are examining contracting methods and ordering arrangement with local authorities. The utility rates also include resources for utility system maintenance across all sites in order to adequately correct known environmental and safety deficiencies and to meet mission requirements. The amount budgeted for sustainment, restoration, and modernization is designed to keep facilities in acceptable operating condition. The final 5 PWDs in Europe and Southwest Asia will be integrated into the NWCF in FY 2008.

Base Support Vehicles and Equipment (BSVE). Initiatives to standardize and lower vehicles and equipment operating costs include:

- Central management of BSVE NWCF Rates and Recapitalization
- Management of BSVE across Product Lines at all FECs.
- Transition to corporate rates
- Lease Passenger Carrying Vehicles (PCVs) from GSA
- Establish BSVE management board
- Downsize vehicles and equipment to minimum size, including Neighborhood Electric Vehicles and other slow moving vehicles
- Standardize vehicle and equipment type, sizes and configurations
- Optimize use of lease and short term rentals for vehicles and heavy equipment

Facility Management and Services. FECs are reducing the cost of facility service contracts through maximizing the use of regional contracts and seeking fewer and longer term contracts while still maintaining Small Business commitments. Additionally, a contracting template has been developed and deployed that standardizes required COL performance. This also serves to reduce costs by minimizing specification writing.

Facility Management and Sustainment. The Facilities Condition Assessment Process (FCAP) has been reengineered. This process replaces the labor intensive Annual Inspection Summary process with complete coverage through modeling (90%) and "eyes-on" inspections (10%). This is expected to reduce costs by over 50% through fewer "eyes-on" inspections. Additionally, call centers are being consolidated, the Work Induction System (WIS) is being developed, and standard method for dispatching work to shops is being implemented.

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT / FACILITIES ENGINEERING COMMAND'S (FEC)
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

RATE CHANGES/UNIT COST:

(Percentages)	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Composite Rates:			
Utilities and Sanitation	+9.7	+7.2	+7.6
Other Services	+2.4	+4.9	+1.7
Composite	+7.0	+6.4	+5.5

Staffing:

<u>Civilian/Military ES & Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	8,711	9,214	9,233
Civilian Workyears (Straighttime)	8,458	9,203	9,234
Military End Strength	78	78	78
Military Workyears	76	78	78

Civilian Personnel: Personnel resources are one of the most valuable assets to the FEC organization. The NWCF FEC Management team continues to focus on the optimal mix and quantity of personnel required to ensure the effectiveness in providing quality products and service to our customers. Growth in civilian workyears reflects completion of the transfer of CONUS and Far East PWDs into the FECs, transfer of Europe PWDs into the FECs in FY 2008, and minor adjustments based on customer demand.

Commercial Activity (CA) and Functional Analysis Studies. The FECs continue to strive for efficiencies to improve and streamline all work-processes. The current CA Plan for NAVFACENGCOM through FY 2009 will require a study of 3,653 positions, primarily as a result of re-competition schedules with savings to be realized starting in FY 2010.

Military Personnel: Military end strength remains stable.

Capital Investment Program (CIP) Budget Authority:

<u>Capital Investment Program (\$Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Equipment, Non-ADP / Telecom	\$ 8.7	\$ 8.4	\$ 7.5
Equipment ADPE / Telecom	\$ 0.0	\$ 0.0	\$ 0.0
Software Development	\$ 0.0	\$ 0.0	\$ 0.0
Minor Construction	<u>\$ 6.2</u>	<u>\$ 7.7</u>	<u>\$ 8.6</u>
Total	\$ 14.9	\$ 16.1	\$ 16.1

The Facilities Engineering Command's investments remain level.

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT / FACILITIES ENGINEERING COMMAND'S (FEC)
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

SUMMARY

The 10 geographic FECs strive to be efficient and effective organizations that provide high quality products and services to the afloat and ashore-based activities. Sound business practices are the core for decisions that promote continuous and innovative improvements of products and services. It is our objective for mission accomplishment to reduce total cost for services, increase productivity, improve quality/client satisfaction, and provide a safe and productive work environment.

FISCAL YEAR (FY) BUDGET ESTIMATES
REVENUE and EXPENSES
AMOUNT IN MILLIONS
FEC / TOTAL

February 2008

	FY 2007 CON	FY 2008 CON	FY 2009 CON
Revenue:			
Gross Sales			
Operations	2,256.5	2,562.0	2,666.5
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	14.1	17.1	16.9
Other Income			
Total Income	2,270.6	2,579.1	2,683.3
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	8.0	8.1	8.6
Civilian Personnel	567.7	614.6	641.9
Travel and Transportation of Personnel	4.7	10.6	10.1
Material & Supplies (Internal Operations)	256.2	397.3	380.3
Equipment	39.2	34.0	34.8
Other Purchases from NWCF	13.6	14.3	14.6
Transportation of Things	1.4	.6	.6
Depreciation - Capital	14.1	17.1	16.9
Printing and Reproduction	.3	1.0	1.0
Advisory and Assistance Services	.1	.6	.6
Rent, Communication & Utilities	855.3	937.2	954.8
Other Purchased Services	547.4	554.2	584.6
Total Expenses	2,308.0	2,589.6	2,648.9
Work in Process Adjustment	.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	2,308.0	2,589.6	2,648.9
Operating Result	-37.4	-10.5	34.4
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-37.4	-10.5	34.4
Other Changes Affecting AOR	13.5	.0	.0
Accumulated Operating Result	-23.9	-34.4	.0

Exhibit Fund-14

FISCAL YEAR (FY) BUDGET ESTIMATES
 FEC / TOTAL
 SOURCE of REVENUE
 AMOUNT IN MILLIONS

February 2008

	FY 2007 CON -----	FY 2008 CON -----	FY 2009 CON -----
1. New Orders	2,258	2,589	2,691
a. Orders from DoD Components	1,717	2,003	2,087
Department of the Navy	1,509	1,777	1,841
O & M, Navy	1,366	1,613	1,689
O & M, Marine Corps	35	46	45
O & M, Navy Reserve	22	3	3
O & M, Marine Corp Reserve	4	3	3
Aircraft Procurement, Navy	0	8	8
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	2	3	3
Other Procurement, Navy	4	0	0
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	72	95	100
Research, Dev., Test, & Eval., Navy	1	4	4
Military Construction, Navy	1	2	2
National Defense Sealift Fund	0	0	0
Other Navy Appropriations	1	1	1
Other Marine Corps Appropriations	0	0	0
Department of the Army	44	39	41
Army Operation & Maintenance	18	8	9
Army Res, Dev, Test, Eval	2	2	2
Army Procurement	0	0	0
Army Other	24	30	30
Department of the Air Force	32	34	36
Air Force Operation & Maintenance	23	30	25
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	9	4	11
DOD Appropriation Accounts	132	153	170
Base Closure & Realignment	2	1	1
Operation & Maintenance Accounts	66	70	80
Res, Dev, Test & Eval Accounts	1	3	3
Procurement Accounts	1	3	3
Defense Emergency Relief Fund	0	0	0
DOD Other	61	77	84
b. Orders from other WCF Activity Groups	360	397	399
c. Total DoD	2,077	2,400	2,486
d. Other Orders	181	189	188
Other Federal Agencies	09	11	27
Foreign Military Sales	0	0	0
Non Federal Agencies	171	178	160
2. Carry-In Orders	216	197	207
3. Total Gross Orders	2,471	2,786	2,881
a. Funded Carry-Over before Exclusions	197	207	197
b. Total Gross Sales	2,274	2,579	2,683
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-7	-8	-7
6. Net Funded Carryover	171	179	188

Note: Line 4 (End of Year Work-In-Process)
 Is adjusted for Non-DoD, BRAC & FMS
 and Institutional MRTFB

Department of the Navy
Base Support Services - FEC
Changes in the Cost of Operations
Fiscal Year (FY) 2009 Budget Estimates
February 2008
\$ in Millions

	<u>Total Cost</u>
FY 2007 Actual	\$2,308.0
FY 2008 Estimate in FY 2008 President's Budget	\$2,528.6
Price Change	
Revised Civilian Pay Raise	\$1.7
Fuel Price Change	\$61.4
<u>Program Changes</u>	
Environmental program workload	\$11.6
Capital Investment Program threshold change from \$100K to \$250K	\$9.9
Reduced electricity costs including impact of energy conservation and anticipated lower demand	-\$14.2
Decrease in contract costs	-\$7.4
Decrease in utility (water and electricity) consumption at FEC Midlant	-\$5.2
Lower potable water purchased units reflecting lower consumption.	-\$2.5
Decrease in equipment purchases	-\$2.4
Other	\$8.1
FY 2008 Current Estimate	\$2,589.6
<u>Price Changes</u>	
Annualization of Prior Year Pay Raises	
Civilian	\$3.2
FY 2009 Pay Raises	
Military	\$0.5
Civilian	\$13.4
Fuel Price Changes	-\$9.0
Working Capital Fund Price Changes	-\$0.5
General Purchase Inflation	\$32.6
<u>Program Changes</u>	
Initial operating capability for gas turbine cogeneration plant in Yokosuka to support Fleet requirement.	\$5.9
Facility Service Management	\$2.6
Other	\$2.9
<u>Other Changes</u>	
Defense Finance and Accounting Service costs.	\$0.8
Increase in Sustainment, Restoration and Modernization for utility systems to be avoid deterioration and service interruptions	\$9.1
One less Paid Day	-\$2.2
FY 2009 Current Estimate	\$2,648.9

Department of the Navy Base Operating Support / Facilities Engineering Commands Activity Group Capital Investment Summary Fiscal Year (FY) 2009 Budget Estimates Date: February 2008 \$ in Millions							
Line #	Description	FY 2007 Quantity	FY 2007 Total Cost	FY 2008 Quantity	FY 2008 Total Cost	FY 2009 Quantity	FY 2009 Total Cost
1	Non-ADP Equipment						
	- Replacement Capability**	21	\$8,740	15	\$8,386	13	\$7,532
	- Productivity Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- New Mission Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
2	ADP and Telecom Equipment						
	- Computer Hardware (Production)	0	\$0.000	0	\$0.000	0	\$0.000
	- Computer Software (Operating)	0	\$0.000	0	\$0.000	0	\$0.000
	- Telecommunications	0	\$0.000	0	\$0.000	0	\$0.000
	- Oth Computer & Telecom Spt Equip	0	\$0.000	0	\$0.000	0	\$0.000
3	Software Development						
	- Projects = or > \$1M (List Separately)	0	\$0.000	0	\$0.000	0	\$0.000
	- Projects < \$1M	0	\$0.000	0	\$0.000	0	\$0.000
4	Minor Construction						
	- Replacement Capability	13	\$6,201	17	\$7,660	18	\$8,551
	- Productivity Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- New Mission Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
	Grand Total	34	\$14,941	32	\$16,046	31	\$16,083
	Total Capital Outlays		\$18,760		\$17,413		\$16,603
	Total Depreciation Expense		\$14,088		\$17,110		\$16,869

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES				
Department of the Navy / Base Support / Naval Facilities Engineering Command	#002 - ADPE and Telecommunications Capabilities	FY 2007		FY 2008		February 2008 Facilities Engineering Commands (FECs)
		Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost	Quant Unit Cost
ADPE and Telecommunications Equipment						
Computer Hardware (Production)						
Computer Software (Operating System)						
Telecommunications						
Other Computer & Telecommunications Spt Equipment						
Total						
Justification:						
Not Applicable						

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES				
Department of the Navy / Base Support / Naval Facilities Engineering Command	#003 - Software (Show Individual Project Name, As Required)	FY 2007		FY 2008		February 2008 Facilities Engineering Commands (FECs)
		Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost	Quant Unit Cost
Software						
List Individual Project Name, As Required						
TOTAL						
Justification:						
Not Applicable						

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION		FISCAL YEAR (FY) 2009 BUDGET ESTIMATES																																																													
(\$ in Thousands)		FY 2007		FY 2008		February 2008																																																									
Department of the Navy / Base Support / Naval Facilities Engineering Command	#004 - Minor Construction \$100K-\$750K	Quant Unit Cost	Total Cost	Quant Unit Cost	Total Cost	Facilities Engineering Commands (FECs)																																																									
Minor Construction																																																															
Replacement		13	477	17	451	18																																																									
Productivity			6,201		7,660	475																																																									
New Mission						8,551																																																									
Environmental																																																															
Total		13	477	17	451	18																																																									
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<p>Minor Construction FY07/08/09: FEC Minor construction projects represent the full range of public works facilities requirements for transportation, utilities, storage, and maintenance. These proposed projects are limited to and strictly controlled to the FY 2007 and outyear Capital Investment Program (CIP) thresholds of \$100K to \$750K. None of the projects requested in this budget exceed current MILCON thresholds. Projects budgeted are for construction, expansion, or improvement of a complete and useable building, structure, or other real property. Excluded from this category are all alterations and repair by replacements which are funded as a real property operating expense. Each FEC has conducted a comprehensive business review of it's facilities needs and determined an optimal economic approach to costs containment, while providing for health and safety and maintaining minimum interruption to services. The proposed projects priorities are determined by economic analysis which is based on cost effective payback solutions which produce the fastest return on investment. Generally, FEC projects have a payback on the initial investment of 5 or less years. The proposed budget also includes one, three, and one environment compliance projects in FY 2007 through FY 2009 respectively at FEC Southeast. These projects address health and safety requirements necessary to comply with local, State and Federal environmental regulations. Completion of these projects will provide for cost avoidance resulting from NOVs. The proposed budget is essential to providing planned cost control and service reliability of the FEC plant account. If proposed projects are not provided, substantial opportunity to provide safe, environmentally compliant, and cost effective services at the least cost to the Navy will be lost. Replacement requirements by FEC are as follows.</p>																																																															
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Department of the Navy
Base Support / Facilities Engineering Commands
Fiscal Year (FY) 2009 Budget Estimates
Projects on the FY 2008 President's Budget
Date: February 2008

FY	Approved Project	(Dollars in Millions)				JUSTIFICATION
		PRESIDENT'S BUDGET	REPROGS	APPROVED PROJ COST	CURRENT PROJ COST DEFICIENCY	
2008	Equipment except ADPE and TELCOM	13.973	-5.587	8.386	0.000	
	Equipment - ADPE and TELCOM	0.000	0.000	0.000	0.000	
	Software Development	0.000	0.000	0.000	0.000	
	Minor Construction	6.083	1.577	7.660	0.000	
	TOTAL FY 2008	20.056	-4.010	16.046	0.000	
	EQUIPMENT					
	ECC 8249 Crane Truck (Hyd) 51 Ton & Up					2,086 New Requirement
	ECC 8219 90 TON Ince Link Belt Hydraulic Truck Chain					(725) Cancelled no longer required.
	ECC 5460 PLATFORM MAINTENANCE					(170) change in threshold from \$100K to \$250K
	ECC 0751 TRUCK TANK FUEL SVC 2K GAL					(130) change in threshold from \$100K to \$250K
	ECC 5409 CLEANER BASIN MANHOLE					(232) change in threshold from \$100K to \$250K
	ECC 725 TRUCK AERIAL MAINTENANCE					(150) change in threshold from \$100K to \$250K
	DBC 5460 PLATFORM MAINTENANCE					(280) change in threshold from \$100K to \$250K
	ECC 5835 TRUCK REFUSE COLLECTION					(189) change in threshold from \$100K to \$250K
	ECC 649 TRUCK TRACTOR 20T					(130) change in threshold from \$100K to \$250K
	ECC 5460 PLATFORM MAINTENANCE					(170) change in threshold from \$100K to \$250K
	DBC 5460 PLATFORM MAINTENANCE					(263) change in threshold from \$100K to \$250K
	ECC 1340 FORKLIFT DIESEL 20K					(125) change in threshold from \$100K to \$250K
	ECC 1890 FORKLIFT ELEC EX					(200) change in threshold from \$100K to \$250K
	ECC 4877 TRACTOR WHL MTD					(150) change in threshold from \$100K to \$250K
	ECC 5409 TRUCK SEWER					(376) change in threshold from \$100K to \$250K
	ECC 546 MANLIFT 110'					(294) change in threshold from \$100K to \$250K
	ECC 756 Truck Tank AVGAS					(162) change in threshold from \$100K to \$250K
	Trailer Mobile Steam Plant, Self-Contained					(179) change in threshold from \$100K to \$250K
	ECC 0890 Semi-Trailer, Fuel Tank 5K & Up (VEN)					(202) change in threshold from \$100K to \$250K
	ECC 5460 80 Ft Manlift (VEN)					(110) change in threshold from \$100K to \$250K
	ECC 0756 Tank Truck, Aircrit Refueling (LEM)					(245) change in threshold from \$100K to \$250K
	ECC 5408 Vacuum Cleaner, Airfield runway (LEM)					(108) change in threshold from \$100K to \$250K
	ECC 4330 Excavator, Multipurpose (LEM)					(156) change in threshold from \$100K to \$250K
	ECC 5831 TRUCK CONTAINER ROLL OFF/FORKED					(228) change in threshold from \$100K to \$250K
	ECC 5460 PLATFORM MAINTENANCE 90'					(345) change in threshold from \$100K to \$250K
	ECC 5460 PLATFORM MAINTENANCE 110'					(480) change in threshold from \$100K to \$250K
	ECC 751 Fuel Tank Tpk 2k gal					(552) Cancelled no longer required.
	ECC 4531 Loader Scoop WH					(175) change in threshold from \$100K to \$250K
	ECC PLATFORM MAINTENANCE					(360) change in threshold from \$100K to \$250K
	ECC 725 Truck, Overhead Maintenance					(119) change in threshold from \$100K to \$250K
	ECC 725 Truck, Overhead Maintenance					(119) change in threshold from \$100K to \$250K
	ECC 5460 Platform Maintenance					(120) change in threshold from \$100K to \$250K
	ECC 5408 Sweeper Airfield/Roadway					(173) change in threshold from \$100K to \$250K
	ECC 5720 STREET SWEEPER					(135) change in threshold from \$100K to \$250K
						(6,587)
	MINOR CONSTRUCTION					
	Construct Connecting Bridge					235 Price increase from 400 to 635
	Install 16" Waterline, Hahona Gate					500 New Requirement
	Convert Bldg. MP3 to EMCC					732 New Requirement
	Construct Emergency Generator at WL-066					(20) Originally 200K now 180K
	Upgrade 10"CIP w/12" NAVMAG Road (Update description)					130 New Requirement
	SUBTOTAL					3 1,577
	FEC TOTAL ALL					(41) (4,010)

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NAVAL FACILITIES ENGINEERING
SERVICES CENTER

Naval Facilities Engineering Service Center

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
BASE SUPPORT / NAVAL FACILITIES ENGINEERING SERVICE CENTER
FEBRUARY 2008**

Mission Statement / Overview

The Naval Facilities Engineering Service Center (NFESC) is a Navy-wide technical center, delivering quality products and services in:

- Energy and Utilities
- Amphibious and Expeditionary Systems
- Environment
- Shore, Ocean, and Waterfront Facilities

As a member of the Naval Facilities Engineering Command (NAVFAC) team, NFESC provides worldwide support services to the Navy, Marine Corps, and other DoD agencies. These support services provide solutions to problems through engineering, design, construction, consultation, test and evaluation, technology demonstration and implementation, and program management support. In accomplishing these services NFESC leverages technology to enhance customer effectiveness and efficiency. NFESC uses existing technology where possible, identifies and adapts breakthrough technology when appropriate, and performs technology development when required.

The NFESC is the principal Navy provider of specialized engineering services and products for shore and offshore facilities, energy and utilities, environmental support, and amphibious and expeditionary systems. The work performed by NFESC is accomplished by mobilizing the proper mix of personnel expertise and other technological resources to address customer requirements. NFESC is a critical component of the overall NAVFAC's Strategic Plan. NFESC provides a synergism of expertise and practical experience to solve field activity and fleet needs. NFESC supports a very broad range of Navy and Marine Corps customers with focus on delivering quality products and services. Program execution is funded by many appropriations, such as O&MN, R&D, WCF and other DOD Accounts.

The Energy and Utilities mission focuses on the Navy's ashore Establishment's Energy program. Efforts focus on utilities and energy management, conservation systems, data management, technology transfer, utilities control systems, utility systems engineering, and thermal and power plant engineering.

The Amphibious and Expeditionary mission involves developing and providing support and enhancement to Naval Construction Battalions and Marine Corp advanced base construction and operations, amphibious force operations, and Marine Corps combat engineer operations. Efforts focus on amphibious systems, combat engineer systems, expedient facilities, and logistics engineering.

The Environmental mission entails planning, reviewing, and analyzing Navy wide functions, and assembling and deploying customized technology to meet the environmental requirements of the Naval shore establishment. Efforts focus on environmental restoration, compliance, data management, technology transfer, waste management, pollution prevention, indoor air management, and oil spill program.

The Ocean Facilities mission is to develop, implement, and improve the Navy's capabilities for the design, construction, maintenance, and repair of fixed ocean facilities. Efforts focus on marine geotechniques, anchor systems, ocean structures, ocean construction, undersea warfare, underwater cable facilities, hyperbaric facilities, mooring systems, magnetic silencing facilities, underwater inspection, ocean construction equipment inventory, coastal facilities, and pipeline integrity assessment.

The Shore Facilities mission is to provide innovative engineering solutions, designs, technological tools and field services to support a viable Naval shore establishment. Efforts focus on waterfront facilities, aviation facilities, physical security, ordnance facilities, materials and coatings, computer aided design, facilities life cycle management, base survivability electronics thermal and power plant engineering.

Activity Group Composition:

NFESC Headquarters	Port Hueneme, CA.
East Coast Detachment	Navy Yard, Washington, DC.

Significant Changes Since the FY 2008 President's Budget:

There are no significant changes in the activity group or composition since the FY 2008 President's Budget.

Financial Profile:

<u>Revenue/Expense/NOR/AOR (\$ in Millions)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue	\$ 99.2	\$101.2	\$101.5
Expense	\$104.5	\$101.2	\$102.3
Operating Results	\$- 5.3	0.0	\$- 0.8
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Results (AOR)	\$ 0.8	\$ 0.8	0.0

Revenue and Expense: Revenue and Expenses are expected to be fairly constant for both FY 2008 and FY 2009.

Operating Results:

NFESC's operating results show no significant change from the FY 2008 President's Budget.

Collections/Disbursements/Outlays (\$ in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Collections	\$101.4	\$109.5	\$109.9
Disbursements	\$100.3	\$107.0	\$109.9
Outlays	\$ - 1.1	\$ - 2.5	\$0.0

Net Outlays are projected to remain relatively stable for the next two fiscal years.

Workload:

Reimbursable Orders (\$ in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	\$115.7	\$79.0	\$108.0

Direct Labor Hours (000)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Current Estimate	514.5	499.5	499.0

Direct labor hours remain level throughout based upon customer requirements.

Performance Indicators:

The primary performance indicator is unit cost. Unit cost measures total direct labor and overhead costs per direct labor hour. Changes in unit cost primarily reflect adjustments in customer requirements, pricing, and prior year AOR adjustments.

Productivity Ratio:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
	78.6%	75.6%	75.6%

The budgeted Productivity Ratio remains relatively level throughout FY 2007 to FY 2009.

Unit Cost

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Stabilized Cost (\$ in Millions)	\$50,454	\$49,239	\$48,566
Workload (DLHs) (000)	514,459	499,490	498,976
Unit cost (per DLH)	\$98.07	\$98.58	\$98.25

Unit Costs remain relatively stable for FY 2008 and FY 2009.

<u>Stabilized / Composite Rates</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Stabilized Rate	\$85.28	\$94.37	\$95.35
Change from Prior Year		+10.7%	+1.0%
Composite Rate Change		+6.8%	+1.5%

The FY 2008 rate appears larger than usual because the FY 2007 rate was set to return a prior year (FY 2006) AOR gain to customers. FY 2009 has also been set to return a prior year (FY 2007) AOR gain to customers.

Staffing:

<u>Civilian/Military ES & Workyears</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Civilian End Strength	369	374	374
Civilian Workyears (Straighttime)	361	374	374
Military End Strength	3	3	3
Military Workyears	3	3	3

Civilian Personnel:

End Strength and Work Years remain stable based upon workload requirements in FY 2008 and FY 2009. FY 2007 shows a decrease in both end strength and FTEs due to the unexpected departures of several employees. Vacant positions are currently under recruitment with Human Resources.

Military Personnel:

Military end strength and workyears remain stable.

Capital Investment Program (CIP) Budget Authority:

The NFESC has no CIP requirements at this time.

FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY / NAVY WORKING CAPITAL FUND
NFESC / TOTAL
REVENUE and EXPENSES
AMOUNT IN MILLIONS
FEBRUARY 2008

	FY 2007 CCN	FY 2008 CCN	FY 2009 CCN
Revenue:			
Gross Sales			
Operations	98.9	101.0	101.3
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	.2	.2	.2
Other Income			
Total Income	99.2	101.2	101.5
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	.3	.4	.4
Civilian Personnel	42.1	45.9	48.4
Travel and Transportation of Personnel	3.9	3.5	3.6
Material & Supplies (Internal Operations	4.5	3.8	3.6
Equipment	1.9	1.8	1.7
Other Purchases from NMCF	4.9	1.8	1.9
Transportation of Things	.6	.5	.5
Depreciation - Capital	.2	.2	.2
Printing and Reproduction	.0	.1	.1
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	.6	.5	.5
Other Purchased Services	45.5	42.7	41.5
Total Expenses	104.5	101.2	102.3
Work in Process Adjustment	.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	104.5	101.2	102.3
Operating Result	-5.3	.0	-.8
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-5.3	.0	-.8
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	.8	.8	.0

Exhibit Fund-14

FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
 DEPARTMENT OF THE NAVY / NAVY WORKING CAPITAL FUND
 NFESC / TOTAL
 SOURCE OF REVENUE
 AMOUNT IN MILLIONS
 FEBRUARY 2008

	FY 2007 CCN -----	FY 2008 CCN -----	FY 2009 CCN -----
1. New Orders	116	79	108
a. Orders from DoD Components	95	76	96
Department of the Navy	79	70	87
O & M, Navy	33	32	38
O & M, Marine Corps	2	1	2
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	2	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	3	1	3
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	40	36	43
Military Construction, Navy	1	1	0
National Defense Sealift Fund	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	2	0	0
Army Operation & Maintenance	1	0	0
Army Res, Dev, Test, Eval	1	0	0
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	0	0	0
Air Force Operation & Maintenance	0	0	0
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	13	6	9
Base Closure & Realignment	2	0	0
Operation & Maintenance Accounts	0	3	1
Res, Dev, Test & Eval Accounts	11	2	7
Procurement Accounts	0	1	0
Defense Emergency Relief Fund	0	0	0
DCD Other	0	1	1
b. Orders from other WCF Activity Groups	19	0	9
c. Total DoD	114	76	105
d. Other Orders	1	3	3
Other Federal Agencies	1	3	3
Foreign Military Sales	0	0	0
Non Federal	0	0	1
2. Carry-In Orders	39	55	33
3. Total Gross Orders	154	134	141
a. Funded Carry-Over before Exclusions	55	33	39
b. Total Gross Sales	99	101	102
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-2	-5	-5
6. Net Funded Carryover	53	28	34

Note: Line 4 (End of Year Work-In-Process)
 Is adjusted for Non-DoD, BRAC & FMS
 and Institutional MRIFB

Department of the Navy
 Base Support / Naval Facilities Engineering Service Center
 Changes in the Cost of Operations
 Fiscal Year (FY) 2009 Budget Estimates
 February 2008
 Dollars in Millions

	<u>Total Cost</u>
FY 2007 Actuals	\$104.5
FY 2008 Estimate in FY 2008 President's Budget	\$99.2
<u>Estimated Impact in FY 2008 of Actual FY 2007 Experience</u>	\$2.1
<u>Price Changes</u>	
Civilian Pay Raise	\$0.2
Fuel Pricing	\$0.2
General Inflation Adjustment	-\$0.2
<u>Productivity Initiatives and Other Efficiencies</u>	-\$0.2
Efficiency Initiatives	
<u>Other Changes</u>	
Decrease in Federal Employee Compensation Act (FECA)	-\$0.1
FY 2008 Current Estimate	\$101.2
<u>Price Changes</u>	
Annualization of Prior Year Pay Raises	
Civilian	\$0.3
FY 2009 Pay Raises	
Civilian	\$0.7
General Purchase Inflation	\$0.9
<u>Other Changes</u>	
Other	-\$0.8
Less one paid day	-\$0.2
Defense Finance and Accounting Service (DFAS) costs	\$0.1
FY 2009 Current Estimate	\$102.3

Department of the Navy
 Base Support / Naval Facilities Engineering Service Center
 Capital Investment Summary
 Fiscal Year (FY) 2009 Budget Estimates
 February 2008
 (\$ in Millions)

Line #	Description	FY 2007		FY 2008		FY 2009	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Non-ADPE and Telecom Equipment						
	- Replacement Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Productivity Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- New Mission Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
2	ADPE and Telecom Equipment						
	- Computer Hardware (Production)	0	\$0.000	0	\$0.000	0	\$0.000
	- Computer Software (Operating)	0	\$0.000	0	\$0.000	0	\$0.000
	- Telecommunications	0	\$0.000	0	\$0.000	0	\$0.000
	- Oth Computer & Telecom Spt Equ	0	\$0.000	0	\$0.000	0	\$0.000
3	Software Development						
	- Projects = or > \$1M (List Sepa	0	\$0.000	0	\$0.000	0	\$0.000
	- Projects < \$1M	0	\$0.000	0	\$0.000	0	\$0.000
4	Minor Construction						
	- Replacement Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Productivity Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- New Mission Capability	0	\$0.000	0	\$0.000	0	\$0.000
	- Environmental Capability	0	\$0.000	0	\$0.000	0	\$0.000
	Grand Total	0	\$0.000	0	\$0.000	0	\$0.000
	Total Capital Outlays	0	\$0.000	0	\$0.000	0	\$0.000
	Total Depreciation Expense	0	\$0.221	0	\$0.221	0	\$0.221

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)		Fiscal Year (FY) 2009 Budget Estimates					
Department of the Navy / Base Support / Naval Facilities Engineering Service Center	#001 - Non-ADPE and Telecommunications Capabilities	FY 2007		FY 2008		FY 2009	
		Quant	Total	Quant	Total	Quant	Total
		Unit	Cost	Unit	Cost	Unit	Cost
		Cost		Cost		Cost	
Non-ADPE and Telecommunications Equipment							
Replacement Equipment							
Total							
Justification:							
N/A							

Department of the Navy
 Base Support / Naval Facilities Engineering Service Center
 Fiscal Year (FY) 2009 Budget Estimates
 February 2008

Approved Project	REPROGS	APPROVED PROJ COST	CURRENT PROJ COST	ASSET/ DEFICIENCY	JUSTIFICATION
Equipment except ADPE and TELCOM	N/A	N/A	N/A	N/A	
Equipment - ADPE and TELCOM	N/A	N/A	N/A	N/A	
Software Development	N/A	N/A	N/A	N/A	
Minor Construction	N/A	N/A	N/A	N/A	
TOTAL FY 2007	N/A	N/A	N/A	N/A	

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NAVY SUPPLY MANAGEMENT

Navy Supply Management

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
ACTIVITY GROUP: SUPPLY MANAGEMENT- NAVY
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

Activity Group Functions:

Navy Working Capital Fund Supply Management (NWCF-SM) Activity Group performs inventory management functions resulting in the sale of aviation and shipboard components, ship's store stock and consumables to a wide variety of customers. Major customers include Fleet and Marine Corps forces, Department of the Navy (DON) shore activities, Army, Air Force, Defense Agencies, other government agencies, and foreign governments. Costs related to supplying this material to customers are recouped through stabilized rate recovery elements such as prior year gains and losses, inventory maintenance, repair costs including attrition, and local elements.

Activity Group Composition:

Operations for the following activities are funded in this Activity Group:

Naval Inventory Control Point (NAVICP):

NAVICP Mechanicsburg, PA

NAVICP Philadelphia, PA

Commander, Fleet and Industrial Supply Centers (COMFISCS):

Fleet and Industrial Supply Center, San Diego, CA

Fleet and Industrial Supply Center, Jacksonville, FL

Fleet and Industrial Supply Center, Norfolk, VA

Fleet and Industrial Supply Center, Pearl Harbor, HI

Fleet and Industrial Supply Center, Puget Sound, WA

Fleet and Industrial Supply Center, Yokosuka, JP

Fleet and Industrial Supply Center, Sigonella, IT

Navy Supply Information Systems Activity (NAVSISA), Mechanicsburg, PA

Activity Group Summary / Significant Changes in Activity Group:

Naval Supply Systems Command (NAVSUP) provides U.S. Naval forces with quality supplies and services. A principal source of readiness for U.S. Naval forces, NAVSUP's diverse workforce delivers logistics programs in areas of supply operations, contracting, resale, transportation, security assistance, conventional ordnance, food service, and other quality of life programs.

In keeping with Chief of Naval Operations guidance and the evolution of Navy's Enterprise Management Approach, NAVSUP has developed six Strategic Focus Areas to ensure alignment in meeting the challenges as set forth by CNO. These focus areas include the following:

- **Alignment:** Develop business processes that are optimized, and where appropriate, standardized across all Warfare Enterprise and Provider Domains.
- **Global Support Network:** Ensure logistics support that is agile and quickly scalable with standard processes and consistent services across all theaters of operation.
- **Distance Support:** In support of Navy's Sea Power 21 vision, develop a logistics support structure that is projected to afloat, expeditionary, and ashore units from a streamlined "operationalized" ashore infrastructure.
- **Navy Community Support:** Ensure Quality of Life services that leverage Joint service investment and cooperative efforts.
- **Logistics Systems:** Assure modern, flexible and secure Information Technology is aligned with command priorities and compliant with prevailing architectures and standards.
- **People:** Develop a diverse, "operationalized," total force of military, civilians, and contractors that seamlessly works together to support Joint and Navy missions.

NAVSUP's purpose is to provide Combat Capability through Logistics. As the Navy's logistics support requirements change, the organizations, business processes, systems, and people that make up NAVSUP are also changing to stay aligned with the needs of the warfighter. This budget submission represents financial requirements necessary to meet the projected needs of the Fleet.

I. Budget Assumptions

The following key assumptions/considerations are incorporated into development of this budget:

Key Budget Tenets

NAVSUP's submission adheres to the following key budget tenets:

- 1) Maintain solvency across budget horizon to meet or improve upon cash forecast from FY 2008 PB
- 2) Reduce customer costs to the maximum extent
- 3) Facilitate customer support effectiveness by reducing customer wait-time for parts in order to reduce down-time of critical weapon systems. This is NAVSUP's primary contribution to Fleet Readiness.

Base Realignment and Closure (BRAC)/Commander, Fleet Readiness Centers (FRC)

This submission includes aviation repair obligation reductions of \$50.1 million in FY 2008 and \$50.9 million in FY 2009. These reductions, proportionate with customer account (Flying Hour Program) changes, are driven by an anticipated shift of approximately 4,000 National Stock Numbered items being repaired at COMFRC in FY 2008 vice traditional Depot Level Repair at the Naval Aviation Depots (NADEP). Accordingly, this reduction will not result in NADEP cash or NOR losses.

Fleet and Industrial Supply Center (FISC)/Naval Aviation Depots Partnership

FY 2008 and FY 2009 budget impacts in support of FISC Jacksonville’s partnership with NADEPs Cherry Point and Jacksonville are reflected in this submit. Total obligation authority for this partnership was originally overestimated in FY 2006 when partnership began. Based upon FY 2007 experience to date, obligations and sales have been reduced by \$299 million in FY 2008 and \$297 million in FY 2009.

Planned IT System changes and upgrades at NADEP North Island to facilitate a common FISC/NADEP operating system resulted in revised FY 2008 and FY 2009 sales projections in support of NADEP North Island.

Capitalization Afloat

Capitalization afloat is a key underpinning initiative for Distance Support. This initiative, focused on capitalization of inventory on “small boys” (i.e. destroyers, frigates, etc) into the NWCF is similar to the “big deck” (i.e. carriers, large amphibious ships) capitalization that occurred during 1990’s. Completion of this initiative further assists NAVSUP in achieving Total Asset Visibility. Schedules regarding material capitalization afloat remain uncertain as a result of IT system development and implementation. Tentative schedules include capitalization of assets for 113 and 111 ships and submarines in FY 2008 and FY 2009, respectively. Obligations in retail (BP-28) are budgeted at one to one with commensurate sales. Maritime (BP-81) sales are a direct result of a sales acceleration driven by movement of the point of sale directly aboard afloat commands. The following sales and obligation authority values are included in this budget submission:

(Dollars in Millions)

Budget Project	FY 2008	FY 2009
Retail (BP-28) Obs & Sales	33.9	33.3
Maritime (BP-81) Sales	3.1	3.1

Enterprise Resource Planning (ERP) System Implementation Repair/Buy Acceleration Strategy
Navy ERP release 1.1 (Single Supply Solution) begins to deploy in early FY 2010. As a hedge against potential disruptions to Fleet customer support, NAVSUP accelerated requirements, resulting in earlier than normal repair and/or procurement actions to ensure a full supply pipeline is maintained. This is not an additional requirement, but rather an acceleration of an existing requirement that would have occurred in FY 2010 or beyond. This approach is similar to the process used by the Defense Logistics Agency when implementation of Business Systems Modernization (BSM) was executed, and is deemed to be prudent given the complexity of a new system deployment of this magnitude.

Obligation values reflected below are based upon the assumption that an ERP disruption would last approximately six months and implementation roll-out is phased in increments rather than being instantaneous.

(Dollars in Millions)

Budget Project	FY 2008	FY 2009
Maritime (BP81) Procurement	0	11.5
Maritime (BP81) Repair	0	18.3
Aviation Reparables (BP85) Procurement	10.7	0
Aviation Reparables (BP85) Repair	0	101.6
Aviation Consumables (BP34)	0	22.8

National Inventory Mgmt Strategy (NIMS) and Joint Regional Inv Matl Mgmt (JRIMM)
Challenges with BSM that resulted in Defense Logistics Agency's strategic pause in NIMS implementations continue. These same challenges impact the ability to move forward with phase II of JRIMM implementations.

II. Cash and Pricing

As a primary consideration of this budget, NAVSUP has carefully balanced concerns of NWCF solvency, impacts of potential changes to customer rates, and customer support effectiveness.

Net Outlays:

(Dollars in Millions)

Description	FY 2007	FY 2008	FY 2009
Collections	5,701.8	5,841.7	5,961.4
Disbursements	5,382.7	5,970.4	6,080.3
Transfers	83.5	14.0	0.0
Net Outlays	-402.6	114.7	118.9

Material Cost and Rates:

This budget reflects a customer rate of 1.8% for FY 2009. Since this rate meets guidance, no additional funding is required for customer accounts.

Description	FY 2007	FY 2008	FY 2009
Items Managed	342,647	340,049	340,802
Receipts	1,134,831	1,114,596	1,210,865
Issues	1,238,305	1,246,003	1,264,805
Reqns Received	497,422	497,714	502,327
Contracts Executed	40,254	44,869	46,233
Undelivered Orders (\$Million)	3,762.6	3,762.6	3,762.6
Purchase Inflation	2.7%	1.9%	2.0%
Customer Rate Changes	2.4%	2.7%	1.8%
Composite Cost Recovery Rate (CRR)	11.2%	14.5%	15.1%
Cost of Material Sold (\$Million)	4,098.1	3,755.5	3,966.4

Undelivered Orders:

Undelivered orders represent contracts or orders for goods that have not yet been received, for which a liability has not yet accrued. Upon receipt, accrual of the liability creates an outlay requirement. Supply Management's undelivered orders balance for material as of 30 September 2007 was approximately \$3.91 billion, down slightly from \$3.97 billion at the end of FY 2006.

Financial Profile:

(Dollars in Millions)

Description	FY 2007	FY 2008	FY 2009
Revenue	5,594.8	5,784.9	5,975.1
Expenses	5,645.4	5,797.3	5,993.7
Capital Surcharge	-21.0	-13.7	-17.0
Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR	28.6	0.0	0.0
Net Operating Result	-0.9	1.3	-1.7
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	0.4	1.7	0.0

Revenue: FY 2007 reflects end-of-year actuals. Revenue decreases from FY 2008 PRESBUD submit are primarily a result of retail sales reductions in the FISC/NADEP Partnership. However, overall revenue is trending up from FY 2007 through FY 2009 due to wholesale sales increases.

Expense: Expense changes are consistent with revenue adjustments.

Other Changes Affecting NOR: FY 2007 reflects an offset to final CRR adjustments resulting from Annual Price Update (APU).

Obligation Authority: (Dollars in Millions)

Obligations	FY 2007	FY 2008	FY 2009
Wholesale	3,475.1	3,726.6	3,768.9
Retail	832.5	959.0	1,010.6
Operating	1,209.7	1,304.2	1,344.7
Total	5,517.3	5,989.7	6,124.3

Note: Amounts reflected above are rounded for presentation

Wholesale: Focus remains on alignment of customer funding and demand to NWCF wholesale production and repair investments. Increase in FY 2008 and FY 2009 is driven by outfitting requirements for several new systems.

Retail: FY 2007 increase is driven by inclusion of first full year of FISC/NADEP Partnership business in NWCF-SM customer base. Upward trend from FY 2007 through FY 2009 is driven

by the growth in the business base associated with capitalization afloat and Defense Logistics Agency (DLA) pricing.

Operations: FY 2007 through FY 2009 operations budget submit reflect changes in obligations attributable to increased partnership activities, ERP costs, transformation savings, pricing, and inflation.

Workload:

(Dollars in Millions)

Gross Sales	FY 2007	FY 2008	FY 2009
Wholesale	4,328.4	4,442.5	4,563.9
Retail	877.3	962.5	1,012.0
Total	5,205.7	5,405.0	5,575.9

Wholesale & Retail: Sales are tied to customer funding and NAVICP's ability to fill orders.

Unit Cost:

Description	FY 2007	FY 2008	FY 2009
Wholesale	.947	1.001	.988
Retail	.953	1.001	1.003

Staffing:

Description	FY 2007	FY 2008	FY 2009
Civilian End Strength	7,743	7,718	7,718
Civilian Work Years	7,768	7,713	7,713
Military End Strength	369	369	369
Military Work Years	376	376	376

Civilian Personnel: Some additional workforce reductions are anticipated as BRAC recommendations are implemented, products and services are transformed, requirements are refined, and new ways are discovered to help contribute to re-capitalizing and transforming the Navy of the future.

Headquarters Cost:

(Dollars in Millions)

Description	FY 2007	FY 2008	FY 2009
Cost of Management	6.4	6.6	6.7

Headquarters Cost: Budget reflects pricing and inflation impacts.

Capital Budget Authority:

(Dollars in Millions)

Description	FY 2007	FY 2008	FY 2009
Equipment Non-ADPE/Telecom	1.4	2.0	2.1
ADPE/Telecom Equipment	0.8	1.8	0.9
Software Development	3.6	8.4	4.8
Minor Construction	2.3	2.4	2.4
Total	8.2	14.7	10.2

Note: Amounts reflected above are rounded for presentation.

Capital Purchases Program (CPP) Budget Authority: CPP authority reflects a reduction for FY 2007 due to reduced requirements. Both FY 2008 and FY 2009 include effects of inflation along with increased ERP costs in FY 2008.

Cost of Goods Sold Breakout: This budget reflects methodology applied in previous years for recovering costs associated with transportation, depot washout (carcasses that are determined beyond repair and require replacements), obsolescence (replacement cost of new or modified items required to replace items overcome by technology, laws, customs, or operations), Logistics Engineering Change Proposal (LECP) Non-Recurring Expense (NRE) management (one-time investment required to implement an LECP such as engineering data revisions, and prototype testing), and testing. These costs are recovered through material cost of goods. The following breakout applies:

FY 2007	Transportation	Obsolescence	Depot Washout	LECP NRE	Testing	Net/Std Deviation	
BP 34	15.4	2.0			5.7		
BP 81P	17.3	23.2		1.0			
BP 81R	15.3		41.3				
BP 85P	31.2	49.2			4.5		
BP 85R	102.0		275.0	15.6		74.3	
Total	181.0	74.4	316.3	16.6	10.2	74.3	
FY 2008	Transportation	Obsolescence	Depot Washout	LECP NRE	Testing	Net/Std Deviation	H1 Burdening
BP 34	15.1	2.6			5.7		
BP 81P	16.5	21.2		1.0			
BP 81R	15.6		41.9				
BP 85P	25.7	54.3			4.5		
BP 85R	98.0		210.5	6.6		29.7	12.0
Total	170.8	78.1	252.4	7.6	10.2	29.7	12.0

FY 2009	Transportation	Obsolescence	Depot Washout	LECP NRE	Testing	Net/Std Deviation
BP 34	12.1	2.7			5.7	
BP 81P	14.4	22.5				
BP 81R	14.2		43.5			
BP 85P	25.2	49.4			4.5	
BP 85R	92.9		205.1	7.0		57.8
Total	158.8	74.7	248.6	7.0	10.2	57.8

Note: Amounts reflected above are rounded for presentation.

Performance Indicators: Primary performance measurement tool for the Supply Management business area is the “Dashboard Metrics” tool. Dashboard Metrics provide indicators that link NAVSUP’s strategic plan to the performance budget and to Chief of Naval Operations priorities, which directly support DoD strategic goals as described in the Quadrennial Defense Review (QDR).

Description	FY 2007	FY 2008	FY 2009
Net Operating Result (\$M)	-0.9	1.3	-1.7
Accumulated Operating Result (\$M)	0.4	1.7	0.0
Customer Wait Time (days)	12.5	12.5	12.5
Ship Operating Time w/C3/C4 CASREP			
Deployed	25%	25%	25%
Non-deployed	24%	24%	24%
Aircraft Non Mission Capable Supply			
Deployed	10%	10%	10%
Non-Deployed	10%	10%	10%
Supply Material Availability	85%	85%	85%

IV. Summary

As the Navy’s provider of system and supply readiness, health of the NWCF-SM budget is a critical part of the overall logistics support spectrum. Full support of NWCF-SM and full funding of customer accounts is the best way to mitigate readiness risk and continue to build on our success. NAVSUP continues to closely monitor operations from the perspective of ensuring material availability and adequately reflecting anticipated sales.

Lean Six Sigma efforts and continued emphasis on process review/reengineering will ensure NAVSUP continues to meet customers’ requirements while focusing on reducing operations costs and inventory levels.

Submitted budget maintains NWCF-SM at a funding level that meets Navy’s readiness requirements through FY 2009 while managing known risks.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
SUPPLY MANAGEMENT SUMMARY- FY 07
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
OBLIGATION TARGETS**

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OPERATING	MOBILIZATION	TOTAL OBLIGATIONS	VARIABILITY TARGET	TARGET TOTAL	CREDIT SALES
BP 21									
Approved	33.382	73.990	73.990	74.790	0.000	74.790	6.500	81.290	0.000
Request	30.296	73.497	73.497	71.220	0.000	71.220	0.000	71.220	0.000
Delta	(3.086)	(0.493)	(0.493)	(3.570)	0.000	(3.570)	(6.500)	(10.070)	0.000
BP 28									
Approved	1,254.055	1,090.471	1,090.471	1,093.436	0.000	1,093.436	99.500	1,192.936	4.888
Request	1,243.776	800.015	800.015	761.261	0.000	761.261	0.000	761.261	3.775
Delta	(10.279)	(290.456)	(290.456)	(332.175)	0.000	(332.175)	(99.500)	(431.675)	(1.113)
BP 34									
Approved	1,001.800	338.359	340.126	335.356	0.000	335.356	90.000	425.356	1.023
Request	896.162	345.795	346.611	318.065	0.000	318.065	0.000	318.065	0.327
Delta	(105.638)	7.436	6.485	(17.291)	0.000	(17.291)	(90.000)	(107.291)	(0.696)
BP 81									
Approved	8,190.764	783.593	783.593	647.424	0.000	647.424	104.500	751.924	29.000
Request	8,249.675	786.594	786.594	654.740	0.000	654.740	0.000	654.740	25.893
Delta	58.911	3.001	3.001	7.316	0.000	7.316	(104.500)	(97.184)	(3.107)
			** REPAIR->	266.955					
BP85									
Approved	34,627.986	3,108.423	3,122.067	2,554.218	0.000	2,554.218	255.500	2,809.718	62.200
Request	31,507.575	3,111.133	3,116.680	2,502.259	0.000	2,502.259	0.000	2,502.259	52.288
Delta	(3,120.411)	2.710	(5.387)	(51.959)	0.000	(51.959)	(255.500)	(307.459)	(9.912)
			** REPAIR->	1,778.657					
BP 91									
Approved	0.000	0.000	0.000	1,310.565	0.000	1,310.565	0.000	1,310.565	0.000
Request	0.000	0.000	0.000	1,209.720	0.000	1,209.720	0.000	1,209.720	0.000
Delta	0.000	0.000	0.000	(100.845)	0.000	(100.845)	0.000	(100.845)	0.000
TOTAL									
Approved	45,107.987	5,394.836	5,410.247	6,015.789	0.000	6,015.789	556.000	6,571.789	97.111
Request	41,927.484	5,117.034	5,123.397	5,517.265	0.000	5,517.265	0.000	5,517.265	82.283
Delta	(3,180.503)	(277.802)	(286.850)	(498.524)	0.000	(498.524)	(556.000)	(1,054.524)	(14.828)

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
SUPPLY MANAGEMENT SUMMARY- FY 08
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
OBLIGATION TARGETS**

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OPERATING	MOBILIZATION	TOTAL OBLIGATIONS	VARIABILITY TARGET	TARGET TOTAL	CREDIT SALES
BP 21									
Approved	34.722	72.450	72.450	72.450	0.000	72.450	6.500	78.950	0.000
Request	31.538	68.121	68.121	68.121	0.000	68.121	0.000	68.121	0.000
Delta	(3.184)	(4.329)	(4.329)	(4.329)	0.000	(4.329)	(6.500)	(10.829)	0.000
BP 28									
Approved	1,229.607	1,098.909	1,098.909	1,102.438	0.000	1,102.438	99.500	1,201.938	4.888
Request	1,291.585	889.534	889.534	890.877	0.000	890.877	0.000	890.877	4.888
Delta	61.978	(209.375)	(209.375)	(211.561)	0.000	(211.561)	(99.500)	(311.061)	0.000
BP 34									
Approved	1,051.207	387.185	387.015	303.493	0.000	303.493	90.000	393.493	1.152
Request	933.649	324.379	323.432	300.292	0.000	300.292	40.000	340.292	0.648
Delta	(117.558)	(62.806)	(63.583)	(3.201)	0.000	(3.201)	(50.000)	(53.201)	(0.504)
BP 81									
Approved	8,394.293	774.567	774.567	651.325	0.000	651.325	104.500	755.825	29.000
Request	8,556.279	808.314	808.314	691.237	0.000	691.237	90.500	781.737	29.000
Delta	161.986	33.747	33.747	39.912	0.000	39.912	(14.000)	25.912	0.000
			** REPAIR->	278.537					
BP85									
Approved	34,858.309	3,037.904	3,047.002	2,440.224	0.000	2,440.224	255.500	2,695.724	62.200
Request	30,579.763	3,205.837	3,224.264	2,735.028	0.000	2,735.028	425.500	3,160.528	56.800
Delta	(4,278.546)	167.933	177.262	294.804	0.000	294.804	170.000	464.804	(5.400)
			** REPAIR->	1,816.269					
BP 91									
Approved	0.000	0.000	0.000	1,314.911	0.000	1,314.911	0.000	1,314.911	0.000
Request	0.000	0.000	0.000	1,304.168	0.000	1,304.168	0.000	1,304.168	0.000
Delta	0.000	0.000	0.000	(10.743)	0.000	(10.743)	0.000	(10.743)	0.000
TOTAL									
Approved	45,568.138	5,371.015	5,379.943	5,884.841	0.000	5,884.841	556.000	6,440.841	97.240
Request	41,392.814	5,296.185	5,313.665	5,989.723	0.000	5,989.723	556.000	6,545.723	91.336
Delta	(4,175.324)	(74.830)	(66.278)	104.882	0.000	104.882	0.000	104.882	(5.904)

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
SUPPLY MANAGEMENT SUMMARY- FY 09
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
OBLIGATION TARGETS**

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OPERATING	MOBILIZATION	TOTAL OBLIGATIONS	VARIABILITY TARGET	TARGET TOTAL	CREDIT SALES
BP 21									
Approved	36.869	72.033	72.033	72.850	0.000	72.850	6.500	79.350	0.000
Request	33.289	66.760	66.760	67.300	0.000	67.300	0.000	67.300	0.000
Delta	(3.580)	(5.273)	(5.273)	(5.550)	0.000	(5.550)	(6.500)	(12.050)	0.000
BP 28									
Approved	1,215.410	1,107.043	1,107.043	1,109.928	0.000	1,109.928	99.500	1,209.428	4.888
Request	1,319.088	940.368	940.368	943.340	0.000	943.340	0.000	943.340	4.888
Delta	103.678	(166.675)	(166.675)	(166.588)	0.000	(166.588)	(99.500)	(266.088)	0.000
BP 34									
Approved	966.650	384.796	385.337	328.395	0.000	328.395	90.000	418.395	1.190
Request	953.138	346.717	347.387	314.194	0.000	314.194	40.000	354.194	0.705
Delta	(13.512)	(38.079)	(37.950)	(14.201)	0.000	(14.201)	(50.000)	(64.201)	(0.485)
BP 81									
Approved	8,308.513	777.442	777.442	661.587	0.000	661.587	104.500	766.087	29.000
Request	8,438.659	793.102	793.102	709.217	0.000	709.217	90.500	799.717	29.000
Delta	130.146	15.660	15.660	47.630	0.000	47.630	(14.000)	33.630	0.000
			** REPAIR->	296.417					
BP85									
Approved	35,085.930	3,151.903	3,117.624	3,224.264	0.000	3,224.264	255.500	3,479.764	62.200
Request	29,562.478	3,415.822	3,336.852	2,745.535	0.000	2,745.535	425.500	3,171.035	56.800
Delta	(5,523.452)	263.919	219.228	(478.729)	0.000	(478.729)	170.000	(308.729)	(5.400)
			** REPAIR->	1,963.338					
BP 91									
Approved	0.000	0.000	0.000	1,358.528	0.000	1,358.528	0.000	1,358.528	0.000
Request	0.000	0.000	0.000	1,344.729	0.000	1,344.729	0.000	1,344.729	0.000
Delta	0.000	0.000	0.000	(13.799)	0.000	(13.799)	0.000	(13.799)	0.000
TOTAL									
Approved	45,613.372	5,493.217	5,459.479	6,755.552	0.000	6,755.552	556.000	7,311.552	97.278
Request	40,306.652	5,562.769	5,484.469	6,124.315	0.000	6,124.315	556.000	6,680.315	91.393
Delta	(5,306.720)	69.552	24.990	(631.237)	0.000	(631.237)	0.000	(631.237)	(5.885)

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY 2007

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	8.6	6.539	0.000	27.268	33.807
AV-8B/T-45	10.7/4.4	0.000	0.000	2.248	2.248
EA-6B	9.7	0.000	0.000	2.920	2.920
F-14	n/a	0.000	0.000	0.000	0.000
V-22	21.5	5.911	0.000	36.687	42.598
S-3	5.9	0.000	0.000	0.000	0.000
C-130	9.7	0.000	0.000	0.458	0.458
P-3	7.6	0.381	0.000	1.371	1.752
E-2/C-2	9.4/7.2	1.357	0.000	2.143	3.500
Common Systems	n/a	1.806	0.000	6.937	8.743
Aircraft Engines	n/a	0.000	15.115	56.517	71.632
Aviation Support Systems	n/a	0.000	4.281	32.472	36.753
H-1	11.6	0.000	0.000	4.032	4.032
H-46	10.1	0.000	1.755	7.829	9.584
H-53	10.7	3.926	0.000	2.561	6.487
H-60	8.3	11.543	2.028	12.752	26.323
Multi-application	n/a	0.000	0.000	62.207	62.207
Efficiencies/Self Financing	n/a	0.000	0.000	-1.101	-1.101
Anticipated Special Programs	n/a	0.000	0.000	0.000	0.000
Full PBL	n/a	0.000	0.000	4.134	4.134
LECP	n/a	0.000	0.000	1.988	1.988
Total		31.463	23.179	263.423	318.065

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY 2008

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	8.6	7.862	0.000	28.803	36.665
AV-8B/T-45	10.7/4.4	0.000	0.000	1.280	1.280
EA-6B	9.7	0.675	0.000	4.404	5.079
F-14	n/a	0.000	0.000	0.000	0.000
V-22	21.5	3.976	0.000	21.943	25.919
S-3	5.9	0.000	0.000	0.000	0.000
C-130	9.7	0.000	0.000	0.438	0.438
P-3	7.6	0.409	0.000	1.312	1.721
E-2/C-2	9.4/7.2	0.000	0.000	1.889	1.889
Common Systems	n/a	1.452	0.000	6.331	7.783
Aircraft Engines	n/a	0.000	5.000	51.313	56.313
Aviation Support Systems	n/a	0.000	5.100	31.099	36.199
H-1	11.6	0.000	0.000	3.859	3.859
H-46	10.1	0.000	0.000	7.493	7.493
H-53	10.7	0.000	0.000	2.451	2.451
H-60	8.3	16.156	0.000	7.604	23.760
Multi-application	n/a	0.000	0.000	59.539	59.539
Efficiencies/Self Financing	n/a	0.000	0.000	-0.712	-0.712
Anticipated Special Programs	n/a	0.000	25.000	0.000	25.000
Full PBL	n/a	0.000	0.000	5.614	5.614
	n/a				
Total		30.530	35.100	234.662	300.292

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY 2009

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	8.6	5.603	0.000	28.829	34.432
AV-8B/T-45	10.7/4.4	0.000	0.000	0.598	0.598
EA-6B	9.7	1.059	0.000	4.601	5.660
F-14	n/a	0.000	0.000	0.000	0.000
V-22	21.5	7.900	0.000	4.461	12.361
S-3	5.9	0.000	0.000	0.000	0.000
C-130	9.7	0.000	0.000	0.463	0.463
P-3	7.6	0.672	0.000	1.386	2.058
E-2/C-2	9.4/7.2	0.000	0.000	1.996	1.996
Common Systems	n/a	1.215	0.000	6.473	7.688
Aircraft Engines	n/a	0.000	5.000	55.010	60.010
Aviation Support Systems	n/a	0.000	1.023	32.828	33.851
H-1	11.6	7.661	0.000	5.315	12.976
H-46	10.1	0.000	0.000	7.915	7.915
H-53	10.7	0.000	0.000	2.589	2.589
H-60	8.3	9.922	0.000	6.001	15.923
Multi-application	n/a	0.000	0.000	62.890	62.890
Efficiencies/Self Financing	n/a	0.000	0.000	-0.663	-0.663
Anticipated Special Programs	n/a	0.000	25.000	0.000	25.000
Full PBL	n/a	0.000	0.000	5.647	5.647
ERP Buy-Ahead	n/a	0.000	0.000	22.800	22.800
Total		34.032	31.023	249.139	314.194

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENTS BY WEAPON SYSTEM
BUDGET PROJECT 81
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY2007

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>SPECIAL PROGRAMS</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	23.977	8.500	8.561	37.494	78.532
NUCLEAR	48.941	6.600	11.468	0.500	67.509
SUBSAFE LI//ASDS/DSSP	21.510	0.100	10.931	8.574	41.115
HM&E	41.252	1.400	25.996	62.325	130.973
END ITEM MGT/CARPER/MSC	7.219	0.000	0.718	4.224	12.161
GPETE	0.688	0.000	27.939	1.242	29.869
FIRE CONTROL/DET	14.441	7.600	18.090	88.017	128.148
INTEGRATED SELF-DEFENSE	19.057	13.400	31.301	37.100	100.858
COMMUNICATION/SURVEILLANCE	17.401	11.800	8.895	27.479	65.575
GROSS REQUIREMENT	194.486	49.400	143.899	266.955	654.740

<u>PLATFORM</u>	<u>FY07 POTF</u>	
AIRCRAFT CARRIERS	84%	<p>* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level.</p> <p>FY07 POTF projections are based upon the most current performance data available in Corporate Information System (CIS)...historical averages are compared to current FY performance, reflecting most common POTF %.</p>
AMPHIBIOUS WARFARE	80%	
COMBAT LOGISTICS SHIPS	84%	
MINE WARFARE SHIPS	43%	
SUBMARINES	94%	
SURFACE COMBATANTS	78%	
SURFACE SHIPS	74%	
MISCELLANEOUS	82%	
ACROSS ALL PLATFORMS	75%	

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENTS BY WEAPON SYSTEM
BUDGET PROJECT 81
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY2008

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>SPECIAL PROGRAMS</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	22.183	7.100	16.221	36.969	82.473
NUCLEAR	45.083	7.500	8.670	0.500	61.753
SUBSAFE LI//ASDS/DSSP	21.439	0.000	12.053	8.454	41.946
HM&E	42.598	0.900	49.700	73.723	166.921
END ITEM MGT/CARPER/MSC	7.297	0.000	0.000	4.165	11.462
GPETE	0.696	0.000	35.386	1.225	37.307
FIRE CONTROL/DET	16.037	5.900	15.010	89.827	126.774
INTEGRATED SELF-DEFENSE	19.130	13.900	23.228	36.580	92.838
COMMUNICATION/SURVEILLANCE	17.753	6.200	18.716	27.094	69.763
GROSS REQUIREMENT	192.216	41.500	178.984	278.537	691.237

<u>PLATFORM</u>	<u>FY08 POTF</u>
AIRCRAFT CARRIERS	84%
AMPHIBIOUS WARFARE	80%
COMBAT LOGISTICS SHIPS	84%
MINE WARFARE SHIPS	43%
SUBMARINES	94%
SURFACE COMBATANTS	78%
SURFACE SHIPS	74%
MISCELLANEOUS	82%
ACROSS ALL PLATFORMS	75%

* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level. FY08 POTF projections are carried forward from FY07 projected performance.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENTS BY WEAPON SYSTEM
BUDGET PROJECT 81
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY2009

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>SPECIAL PROGRAMS</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	25.280	17.500	12.037	37.257	92.074
NUCLEAR	45.415	7.200	9.426	0.500	62.541
SUBSAFE LI//ASDS/DSSP	21.873	0.000	13.374	8.520	43.767
HM&E	45.514	0.500	32.766	74.763	153.543
END ITEM MGT/CARPER/MSC	7.480	0.000	0.000	4.197	11.677
GPETE	0.713	0.000	28.239	1.234	30.186
FIRE CONTROL/DET	13.658	7.900	15.657	87.475	124.690
INTEGRATED SELF-DEFENSE	17.732	14.600	26.103	36.866	95.301
COMMUNICATION/SURVEILLANCE	18.505	6.800	13.028	27.305	65.638
ERP	11.500	0.000	0.000	18.300	29.800
GROSS REQUIREMENT	207.670	54.500	150.630	296.417	709.217

<u>PLATFORM</u>	<u>FY09 POTF</u>
AIRCRAFT CARRIERS	84%
AMPHIBIOUS WARFARE	80%
COMBAT LOGISTICS SHIPS	84%
MINE WARFARE SHIPS	43%
SUBMARINES	94%
SURFACE COMBATANTS	78%
SURFACE SHIPS	74%
MISCELLANEOUS	82%
ACROSS ALL PLATFORMS	75%

* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level. FY09 POTF projections are carried forward from FY08 projected performance.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY 2007

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	<u>Total</u>
F/A-18	8.6	98.509	77.000	75.001	233.535	484.045
AV-8B/T-45	10.7/4.4	0.000	0.000	3.560	34.229	37.789
EA-6B	9.7	0.000	2.130	10.632	32.502	45.264
F-14	n/a	0.000	0.000	0.000	0.000	0.000
V-22	21.5	58.869	0.000	64.394	0.000	123.263
S-3	5.9	0.000	0.000	0.000	3.251	3.251
C-130	9.7	0.000	0.000	0.993	5.779	6.772
P-3	7.6	4.213	0.000	6.839	36.438	47.490
E-2/C-2	9.4/7.2	19.903	0.000	12.775	23.421	56.099
Common Systems	n/a	19.981	0.000	13.081	48.435	81.497
Aircraft Engines	n/a	22.381	2.289	17.494	122.484	164.648
Aviation Support Systems	n/a	0.553	6.034	2.617	22.119	31.323
H-1	11.6	0.000	0.000	8.602	65.538	74.140
H-46	10.1	0.000	0.000	6.442	30.578	37.020
H-53	10.7	20.562	2.579	14.854	114.515	152.510
H-60	8.3	69.627	0.000	44.719	9.885	124.231
Multi-application	n/a	0.000	0.467	62.708	385.188	448.363
Efficiencies/Self Financing	n/a	-149.256	0.000	-45.859	0.000	-195.115
Carcass Losses	n/a	0.000	0.000	18.000	0.000	18.000
Full PBL	n/a	0.000	0.000	154.310	659.383	813.693
LECP Investment/Savings	n/a	0.000	0.000	-1.591	-50.433	-52.024
Total		165.342	90.499	469.571	1,776.847	2,502.259

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY 2008

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	<u>Total</u>
F/A-18	8.6	79.988	64.644	74.168	230.344	449.144
AV-8B/T-45	10.7/4.4	0.000	0.000	4.977	27.250	32.227
EA-6B	9.7	41.231	57.258	14.435	30.364	143.288
F-14	n/a	0.000	0.000	0.000	0.000	0.000
V-22	21.5	62.722	0.000	42.523	0.000	105.245
S-3	5.9	0.000	0.000	0.000	1.200	1.200
C-130	9.7	0.000	0.000	1.376	7.208	8.584
P-3	7.6	4.702	0.000	7.814	38.234	50.750
E-2/C-2	9.4/7.2	0.000	0.000	6.745	27.483	34.228
Common Systems	n/a	16.699	0.000	14.848	56.648	88.195
Aircraft Engines	n/a	37.717	0.000	25.252	138.040	201.009
Aviation Support Systems	n/a	0.000	6.885	2.846	15.409	25.140
H-1	11.6	0.000	0.000	11.050	58.813	69.863
H-46	10.1	0.000	0.000	4.042	39.652	43.694
H-53	10.7	0.000	0.000	20.946	86.960	107.906
H-60	8.3	156.586	0.000	22.642	12.574	191.802
Multi-application	n/a	0.000	0.490	82.107	390.824	473.420
Efficiencies/Self Financing	n/a	-113.608	0.000	-31.382	0.000	-144.990
Anticipated Special Programs	n/a	0.000	20.000	0.000	20.000	40.000
Carcass Losses	n/a	0.000	0.000	18.000	0.000	18.000
Full PBL	n/a	0.000	0.000	134.566	680.175	814.741
LECP Investment/Savings	n/a	0.000	0.000	15.790	-44.909	-29.119
ERP Buy-Ahead High Attritio	n/a	0.000	0.000	10.700	0.000	10.700
Total		286.037	149.277	483.445	1,816.269	2,735.028

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(DOLLARS IN MILLIONS)**

FY 2009

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	<u>Total</u>
F/A-18	8.6	70.030	71.085	69.055	234.658	444.828
AV-8B/T-45	10.7/4.4	0.000	0.000	5.047	26.263	31.310
EA-6B	9.7	11.277	0.000	16.923	33.274	61.474
F-14	n/a	0.000	0.000	0.000	0.000	0.000
V-22	21.5	84.116	0.000	17.258	0.000	101.374
S-3	5.9	0.000	0.000	0.000	1.000	1.000
C-130	9.7	0.000	0.000	1.395	6.895	8.290
P-3	7.6	7.157	0.000	7.902	43.906	58.965
E-2/C-2	9.4/7.2	0.000	0.000	6.858	30.054	36.912
Common Systems	n/a	13.910	0.000	13.824	58.629	86.363
Aircraft Engines	n/a	28.149	0.000	25.383	133.627	187.159
Aviation Support Systems	n/a	0.000	0.518	2.785	15.698	19.001
H-1	11.6	85.542	0.000	15.621	55.963	157.126
H-46	10.1	0.000	0.000	4.093	38.790	42.883
H-53	10.7	0.000	0.000	21.236	82.303	103.539
H-60	8.3	91.754	0.000	14.553	15.083	121.390
Multi-application	n/a	0.000	0.490	83.061	392.336	475.887
Efficiencies/Self Financing	n/a	-176.014	0.000	-28.027	0.000	-204.041
Anticipated Special Programs	n/a	0.000	50.000	0.000	20.000	70.000
Carcass Losses	n/a	0.000	0.000	18.000	0.000	18.000
Full PBL	n/a	0.000	0.000	132.520	719.529	852.049
LECP Investment/Savings	n/a	0.000	0.000	16.695	-46.270	-29.575
ERP Repair Ahead	n/a	0.000	0.000	0.000	101.600	101.600
Total		215.921	122.093	444.183	1,963.338	2,745.535

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DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT SUMMARY
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2007

	Total	Mobilization	---Peacetime---	
			Operating	Other
1. INVENTORY BOP	44,407.953	244.611	20,755.949	23,407.393
2. BOP INVENTORY ADJUSTMENTS	758.999	2.508	5,561.893	(4,805.401)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	5,105.432	(5,105.432)
B. PRICE CHANGE AMOUNT (memo)	758.999	2.508	456.461	300.031
C. INVENTORY RECLASSIFIED AND REPRICED	45,166.952	247.119	26,317.842	18,601.992
3. RECEIPTS AT STANDARD	2,432.610	0.000	2,362.528	70.082
4. SALES AT STANDARD	5,205.680	0.000	5,205.680	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	32.856	(240.749)	150.778	122.828
B. RETURNS FROM CUSTOMERS FOR CREDIT	82.283	0.000	62.238	20.045
C. RETURNS FROM CUSTOMERS, NO CREDIT	18,633.511	0.000	8,223.898	10,409.613
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(6,869.700)	0.000	0.000	(6,869.700)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(567.150)	0.000	(81.262)	(485.888)
G. OTHER (listed in Section 9)	(11,835.848)	(0.018)	(9,260.129)	(2,575.701)
H. TOTAL ADJUSTMENTS	(524.047)	(240.767)	(904.477)	621.197
6. INVENTORY EOP	41,869.836	6.351	22,570.213	19,293.271
7. INVENTORY EOP (REVALUED)	23,509.668	5.028	13,758.387	9,746.253
A. APPROVED ACQUISITION OBJECTIVE (memo)				8,190.522
B. ECONOMIC RETENTION (memo)				972.317
C. CONTINGENCY RETENTION (memo)				537.959
D. POTENTIAL DOD REUTILIZATION (memo)				45.455
8. INVENTORY ON ORDER EOP (memo)	1,842.974	0.000	1,831.772	33.366
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(865.843)	0.000	(596.872)	(268.971)
Strata Transfers	0.000	(0.018)	2,306.748	(2,306.730)
Net/Standard Difference	(10,970.005)	0.000	(10,970.005)	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
Total	(11,835.848)	(0.018)	(9,260.129)	(2,575.701)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT SUMMARY
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2008

	Total	Mobilization	---Peacetime---	
			Operating	Other
1. INVENTORY BOP	41,869.836	6.351	22,570.213	19,293.271
2. BOP INVENTORY ADJUSTMENTS	847.912	0.270	5,621.340	(4,773.698)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	5,203.190	(5,203.190)
B. PRICE CHANGE AMOUNT (memo)	847.912	0.270	418.150	429.493
C. INVENTORY RECLASSIFIED AND REPRICED	42,717.748	6.621	28,191.553	14,519.573
3. RECEIPTS AT STANDARD	3,250.842	0.000	3,320.499	(69.657)
4. SALES AT STANDARD	5,405.001	0.000	5,405.001	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	234.226	0.000	70.128	164.098
B. RETURNS FROM CUSTOMERS FOR CREDIT	91.336	0.000	13.001	78.335
C. RETURNS FROM CUSTOMERS, NO CREDIT	16,941.574	0.000	8,580.366	8,361.208
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(4,771.417)	0.000	0.000	(4,771.417)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(154.795)	0.000	(67.400)	(87.395)
G. OTHER (listed in Section 9)	(11,640.240)	0.000	(11,006.255)	(633.986)
H. TOTAL ADJUSTMENTS	700.684	0.000	(2,410.160)	3,110.844
6. INVENTORY EOP	41,264.272	6.621	23,696.891	17,560.760
7. INVENTORY EOP (REVALUED)	23,191.930	5.123	14,318.695	8,868.112
A. APPROVED ACQUISITION OBJECTIVE (memo)				7,385.069
B. ECONOMIC RETENTION (memo)				921.277
C. CONTINGENCY RETENTION (memo)				520.245
D. POTENTIAL DOD REUTILIZATION (memo)				41.521
8. INVENTORY ON ORDER EOP (memo)	1,846.714	0.000	1,844.671	2.043

9. NARRATIVE:

Other adjustments (Total posted to line 5g):

Other Gains/Losses	(144.546)	0.000	(68.331)	(76.215)
Strata Transfers	0.000	0.000	557.771	(557.771)
Net/Standard Difference	(11,495.695)	0.000	(11,495.695)	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
Total	(11,640.240)	0.000	(11,006.255)	(633.986)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT SUMMARY
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2009

	Total	Mobilization	---Peacetime---	
			Operating	Other
1. INVENTORY BOP	41,264.272	6.621	23,696.891	17,560.760
2. BOP INVENTORY ADJUSTMENTS	644.667	0.163	4,606.248	(3,961.744)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	4,200.027	(4,200.027)
B. PRICE CHANGE AMOUNT (memo)	644.667	0.163	406.220	238.284
C. INVENTORY RECLASSIFIED AND REPRICED	41,908.940	6.784	28,303.139	13,599.016
3. RECEIPTS AT STANDARD	3,076.416	0.000	3,164.147	(87.731)
4. SALES AT STANDARD	5,575.862	0.000	5,575.862	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	231.409	0.000	60.000	171.409
B. RETURNS FROM CUSTOMERS FOR CREDIT	91.393	0.000	14.739	76.654
C. RETURNS FROM CUSTOMERS, NO CREDIT	17,632.000	0.000	9,524.012	8,107.988
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(4,880.016)	0.000	0.000	(4,880.016)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(144.056)	0.000	(55.000)	(89.056)
G. OTHER (listed in Section 9)	(12,240.278)	0.000	(11,379.718)	(860.560)
H. TOTAL ADJUSTMENTS	690.452	0.000	(1,835.967)	2,526.419
6. INVENTORY EOP	40,099.945	6.784	24,055.457	16,037.705
7. INVENTORY EOP (REVALUED)	23,464.179	5.399	15,042.155	8,416.625
A. APPROVED ACQUISITION OBJECTIVE (memo)				6,981.032
B. ECONOMIC RETENTION (memo)				890.491
C. CONTINGENCY RETENTION (memo)				505.843
D. POTENTIAL DOD REUTILIZATION (memo)				39.259
8. INVENTORY ON ORDER EOP (memo)	1,844.314	0.000	1,844.314	0.000

9. NARRATIVE:

Other adjustments (Total posted to line 5g):

Other Gains/Losses	(150.157)	0.000	(103.753)	(46.405)
Strata Transfers	(0.000)	0.000	814.155	(814.155)
Net/Standard Difference	(12,090.120)	0.000	(12,090.120)	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
*	0.000	0.000	0.000	0.000
Total	(12,240.278)	0.000	(11,379.718)	(860.560)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 21
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2007

	Total	Mobilization	--- Peacetime ---	
			Operating	Other
1. INVENTORY BOP	31.535	0.000	31.535	0.000
2. BOP INVENTORY ADJUSTMENTS	1.038	0.000	1.038	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	1.038	0.000	1.038	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	32.573	0.000	32.573	0.000
3. RECEIPTS AT STANDARD	71.220	0.000	71.220	0.000
4. SALES AT STANDARD	73.497	0.000	73.497	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	0.000	0.000	0.000	0.000
H. TOTAL ADJUSTMENTS	0.000	0.000	0.000	0.000
6. INVENTORY EOP	30.296	0.000	30.296	0.000
7. INVENTORY EOP (REVALUED)	0.000	0.000	0.000	0.000
A. APPROVED ACQUISITION OBJECTIVE (memo)				0.000
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	0.000	0.000	0.000	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	0.000	0.000	0.000	0.000
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	0.000	0.000	0.000	0.000

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 21
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2008

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	30.296	0.000	30.296	0.000
2. BOP INVENTORY ADJUSTMENTS	1.242	0.000	1.242	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	1.242	0.000	1.242	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	31.538	0.000	31.538	0.000
3. RECEIPTS AT STANDARD	68.121	0.000	68.121	0.000
4. SALES AT STANDARD	68.121	0.000	68.121	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	0.000	0.000	0.000	0.000
H. TOTAL ADJUSTMENTS	0.000	0.000	0.000	0.000
6. INVENTORY EOP	31.538	0.000	31.538	0.000
7. INVENTORY EOP (REVALUED)	0.000	0.000	0.000	0.000
A. APPROVED ACQUISITION OBJECTIVE (memo)				0.000
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	0.000	0.000	0.000	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	0.000	0.000	0.000	0.000
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	0.000	0.000	0.000	0.000

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 21
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2009

	Total	Mobilization	--- Peacetime ---	
			Operating	Other
1. INVENTORY BOP	31.538	0.000	31.538	0.000
2. BOP INVENTORY ADJUSTMENTS	1.211	0.000	1.211	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	1.211	0.000	1.211	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	32.749	0.000	32.749	0.000
3. RECEIPTS AT STANDARD	67.300	0.000	67.300	0.000
4. SALES AT STANDARD	66.760	0.000	66.760	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	0.000	0.000	0.000	0.000
H. TOTAL ADJUSTMENTS	0.000	0.000	0.000	0.000
6. INVENTORY EOP	33.289	0.000	33.289	0.000
7. INVENTORY EOP (REVALUED)	0.000	0.000	0.000	0.000
A. APPROVED ACQUISITION OBJECTIVE (memo)				0.000
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	0.000	0.000	0.000	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	0.000	0.000	0.000	0.000
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	0.000	0.000	0.000	0.000

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 28
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2007

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,492.991	240.846	1,075.764	176.381
2. BOP INVENTORY ADJUSTMENTS	14.929	2.408	20.017	(7.496)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	9.302	(9.302)
B. PRICE CHANGE AMOUNT (memo)	14.929	2.408	10.715	1.806
C. INVENTORY RECLASSIFIED AND REPRICED	1,507.920	243.254	1,095.781	168.885
3. RECEIPTS AT STANDARD	727.565	0.000	803.904	(76.339)
4. SALES AT STANDARD	803.790	0.000	803.790	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	(29.980)	(240.719)	46.148	164.591
B. RETURNS FROM CUSTOMERS FOR CREDIT	3.775	0.000	3.775	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	91.440	0.000	13.716	77.724
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(156.426)	0.000	0.000	(156.426)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(163.068)	0.000	(77.554)	(85.514)
G. OTHER (listed in Section 9)	4.875	0.000	(33.561)	38.436
H. TOTAL ADJUSTMENTS	(249.384)	(240.719)	(47.476)	38.811
6. INVENTORY EOP	1,182.311	2.535	1,048.419	131.357
7. INVENTORY EOP (REVALUED)	1,137.699	2.535	1,048.419	86.745
A. APPROVED ACQUISITION OBJECTIVE (memo)				85.837
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.908
8. INVENTORY ON ORDER EOP (memo)	65.505	0.000	65.505	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	4.875	0.000	(33.561)	38.436
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	4.875	0.000	(33.561)	38.436

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 28
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2008

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,182.311	2.535	1,048.419	131.357
2. BOP INVENTORY ADJUSTMENTS	24.755	0.056	28.672	(3.973)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	5.417	(5.417)
B. PRICE CHANGE AMOUNT (memo)	24.755	0.056	23.255	1.444
C. INVENTORY RECLASSIFIED AND REPRICED	1,207.066	2.591	1,077.091	127.384
3. RECEIPTS AT STANDARD	834.053	0.000	917.825	(83.772)
4. SALES AT STANDARD	894.422	0.000	894.422	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	220.374	0.000	52.162	168.212
B. RETURNS FROM CUSTOMERS FOR CREDIT	4.888	0.000	4.888	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	93.951	0.000	14.093	79.858
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(145.034)	0.000	0.000	(145.034)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(154.795)	0.000	(67.400)	(87.395)
G. OTHER (listed in Section 9)	(7.068)	0.000	(20.298)	13.230
H. TOTAL ADJUSTMENTS	12.316	0.000	(16.555)	28.871
6. INVENTORY EOP	1,159.013	2.591	1,083.939	72.483
7. INVENTORY EOP (REVALUED)	1,134.396	2.591	1,083.939	47.866
A. APPROVED ACQUISITION OBJECTIVE (memo)				47.365
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.501
8. INVENTORY ON ORDER EOP (memo)	66.946	0.000	66.946	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(7.068)	0.000	(20.298)	13.230
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(7.068)	0.000	(20.298)	13.230

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 28
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2009

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,159.013	2.591	1,083.939	72.483
2. BOP INVENTORY ADJUSTMENTS	22.288	0.049	25.564	(3.325)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.564	(0.564)
B. PRICE CHANGE AMOUNT (memo)	22.288	0.049	25.000	(2.761)
C. INVENTORY RECLASSIFIED AND REPRICED	1,181.301	2.640	1,109.503	69.158
3. RECEIPTS AT STANDARD	877.276	0.000	968.453	(91.177)
4. SALES AT STANDARD	945.256	0.000	945.256	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	231.409	0.000	60.000	171.409
B. RETURNS FROM CUSTOMERS FOR CREDIT	4.888	0.000	4.888	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	95.735	0.000	14.360	81.375
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(183.170)	0.000	0.000	(183.170)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(144.056)	0.000	(55.000)	(89.056)
G. OTHER (listed in Section 9)	(9.890)	0.000	(54.834)	44.944
H. TOTAL ADJUSTMENTS	(5.084)	0.000	(30.586)	25.502
6. INVENTORY EOP	1,108.237	2.640	1,102.114	3.483
7. INVENTORY EOP (REVALUED)	1,107.054	2.640	1,102.114	2.300
A. APPROVED ACQUISITION OBJECTIVE (memo)				2.276
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.024
8. INVENTORY ON ORDER EOP (memo)	68.218	0.000	68.218	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(9.890)	0.000	(54.834)	44.944
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(9.890)	0.000	(54.834)	44.944

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 34
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2007

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,032.641	1.304	389.685	641.652
2. BOP INVENTORY ADJUSTMENTS	(15.814)	0.007	92.983	(108.804)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	105.634	(105.634)
B. PRICE CHANGE AMOUNT (memo)	(15.814)	0.007	(12.651)	(3.170)
C. INVENTORY RECLASSIFIED AND REPRICED	1,016.827	1.311	482.668	532.848
3. RECEIPTS AT STANDARD	278.342	0.000	155.148	123.195
4. SALES AT STANDARD	346.938	0.000	346.938	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	16.820	(0.030)	40.711	(23.860)
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.327	0.000	0.291	0.036
C. RETURNS FROM CUSTOMERS, NO CREDIT	79.457	0.000	3.956	75.501
D. RETURNS TO SUPPLIERS (-)	0.000			
E. TRANSFERS TO PROP. DISPOSAL (-)	(93.945)	0.000	0.000	(93.945)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(28.857)	0.000	(1.370)	(27.487)
G. OTHER (listed in Section 9)	(24.610)	(0.018)	(49.679)	25.087
H. TOTAL ADJUSTMENTS	(50.807)	(0.048)	(6.091)	(44.667)
6. INVENTORY EOP	897.425	1.262	284.786	611.376
7. INVENTORY EOP (REVALUED)	685.124	1.064	240.145	443.915
A. APPROVED ACQUISITION OBJECTIVE (memo)				348.732
B. ECONOMIC RETENTION (memo)				72.998
C. CONTINGENCY RETENTION (memo)				20.696
D. POTENTIAL DOD REUTILIZATION (memo)				1.489
8. INVENTORY ON ORDER EOP (memo)	317.480	0.000	311.741	5.739
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(24.610)	0.000	(37.144)	12.534
Strata Transfers	0.000	(0.018)	(12.535)	12.553
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(24.610)	(0.018)	(49.679)	25.087

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 34
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2008

	Total	Mobilization	--- Peacetime ---	
			Operating	Other
1. INVENTORY BOP	897.425	1.262	284.786	611.376
2. BOP INVENTORY ADJUSTMENTS	55.785	0.163	147.296	(91.674)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	120.344	(120.344)
B. PRICE CHANGE AMOUNT (memo)	55.785	0.163	26.951	28.670
C. INVENTORY RECLASSIFIED AND REPRICED	953.209	1.426	432.082	519.702
3. RECEIPTS AT STANDARD	324.007	0.000	320.374	3.633
4. SALES AT STANDARD	324.080	0.000	324.080	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	(53.333)	0.000	(49.219)	(4.114)
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.648	0.000	0.485	0.163
C. RETURNS FROM CUSTOMERS, NO CREDIT	95.694	0.000	4.727	90.966
D. RETURNS TO SUPPLIERS (-)	0.000			
E. TRANSFERS TO PROP. DISPOSAL (-)	(57.383)	0.000	0.000	(57.383)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(3.687)	0.000	(2.614)	(1.073)
H. TOTAL ADJUSTMENTS	(18.062)	0.000	(46.621)	28.559
6. INVENTORY EOP	935.075	1.426	381.754	551.895
7. INVENTORY EOP (REVALUED)	653.438	1.084	290.201	362.153
A. APPROVED ACQUISITION OBJECTIVE (memo)				284.501
B. ECONOMIC RETENTION (memo)				59.553
C. CONTINGENCY RETENTION (memo)				16.884
D. POTENTIAL DOD REUTILIZATION (memo)				1.215
8. INVENTORY ON ORDER EOP (memo)	289.577	0.000	288.886	0.691
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(3.688)	0.000	(2.796)	(0.892)
Strata Transfers	0.000	0.000	0.181	(0.181)
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(3.687)	0.000	(2.614)	(1.073)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 34
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2009

	Total	Mobilization	--- Peacetime ---	
			Operating	Other
1. INVENTORY BOP	935.075	1.426	381.754	551.895
2. BOP INVENTORY ADJUSTMENTS	17.205	0.071	79.732	(62.598)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	70.877	(70.877)
B. PRICE CHANGE AMOUNT (memo)	17.205	0.071	8.855	8.280
C. INVENTORY RECLASSIFIED AND REPRICED	952.280	1.496	461.486	489.297
3. RECEIPTS AT STANDARD	363.970	0.000	363.135	0.835
4. SALES AT STANDARD	348.092	0.000	348.092	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.705	0.000	0.528	0.177
C. RETURNS FROM CUSTOMERS, NO CREDIT	52.632	0.000	2.600	50.032
D. RETURNS TO SUPPLIERS (-)	0.000			
E. TRANSFERS TO PROP. DISPOSAL (-)	(62.846)	0.000	0.000	(62.846)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(4.014)	0.000	(2.886)	(1.128)
H. TOTAL ADJUSTMENTS	(13.523)	0.000	0.242	(13.765)
6. INVENTORY EOP	954.635	1.496	476.771	476.367
7. INVENTORY EOP (REVALUED)	734.096	1.235	393.703	339.158
A. APPROVED ACQUISITION OBJECTIVE (memo)				266.437
B. ECONOMIC RETENTION (memo)				55.772
C. CONTINGENCY RETENTION (memo)				15.812
D. POTENTIAL DOD REUTILIZATION (memo)				1.137
8. INVENTORY ON ORDER EOP (memo)	303.556	0.000	303.556	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(4.013)	0.000	(3.042)	(0.971)
Strata Transfers	(0.000)	0.000	0.157	(0.157)
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(4.014)	0.000	(2.886)	(1.128)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 81
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2007

	Total	Mobilization	--- Peacetime ---	
			Operating	Other
1. INVENTORY BOP	8,271.774	0.000	3,053.277	5,218.497
2. BOP INVENTORY ADJUSTMENTS	114.539	0.000	170.601	(56.062)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	124.620	(124.620)
B. PRICE CHANGE AMOUNT (memo)	114.539	0.000	45.981	68.558
C. INVENTORY RECLASSIFIED AND REPRICED	8,386.313	0.000	3,223.878	5,162.435
3. RECEIPTS AT STANDARD	350.237	0.000	350.645	(0.408)
4. SALES AT STANDARD	812.487	0.000	812.487	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	(33.873)	0.000	(13.014)	(20.859)
B. RETURNS FROM CUSTOMERS FOR CREDIT	25.893	0.000	8.712	17.181
C. RETURNS FROM CUSTOMERS, NO CREDIT	2,347.169	0.000	782.116	1,565.053
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(875.705)	0.000	0.000	(875.705)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(49.826)	0.000	(2.338)	(47.488)
G. OTHER (listed in Section 9)	(1,088.046)	0.000	(316.454)	(771.592)
H. TOTAL ADJUSTMENTS	325.612	0.000	459.022	(133.410)
6. INVENTORY EOP	8,249.675	0.000	3,221.058	5,028.617
7. INVENTORY EOP (REVALUED)	5,407.138	0.000	2,407.995	2,999.142
A. APPROVED ACQUISITION OBJECTIVE (memo)				2,201.455
B. ECONOMIC RETENTION (memo)				472.369
C. CONTINGENCY RETENTION (memo)				309.887
D. POTENTIAL DOD REUTILIZATION (memo)				15.431
8. INVENTORY ON ORDER EOP (memo)	264.491	0.000	264.491	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(244.471)	0.000	(59.619)	(184.852)
Strata Transfers	0.000	0.000	586.740	(586.740)
Net/Standard Difference	(843.575)	0.000	(843.575)	0.000
Total	(1,088.046)	0.000	(316.454)	(771.592)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 81
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2008

	Total	Mobilization	--- Peacetime ---	
			Operating	Other
1. INVENTORY BOP	8,249.675	0.000	3,221.058	5,028.617
2. BOP INVENTORY ADJUSTMENTS	308.564	0.000	217.073	91.491
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	129.848	(129.848)
B. PRICE CHANGE AMOUNT (memo)	308.564	0.000	87.225	221.339
C. INVENTORY RECLASSIFIED AND REPRICED	8,558.239	0.000	3,438.131	5,120.108
3. RECEIPTS AT STANDARD	598.474	0.000	598.474	0.000
4. SALES AT STANDARD	837.314	0.000	837.314	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	67.185	0.000	67.185	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	29.000	0.000	3.674	25.326
C. RETURNS FROM CUSTOMERS, NO CREDIT	1,731.875	0.000	603.224	1,128.651
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(649.000)	0.000	0.000	(649.000)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(942.180)	0.000	(662.885)	(279.295)
H. TOTAL ADJUSTMENTS	236.880	0.000	11.198	225.682
6. INVENTORY EOP	8,556.279	0.000	3,210.489	5,345.790
7. INVENTORY EOP (REVALUED)	5,549.094	0.000	2,387.488	3,161.606
A. APPROVED ACQUISITION OBJECTIVE (memo)				2,320.708
B. ECONOMIC RETENTION (memo)				497.957
C. CONTINGENCY RETENTION (memo)				326.674
D. POTENTIAL DOD REUTILIZATION (memo)				16.267
8. INVENTORY ON ORDER EOP (memo)	239.149	0.000	239.149	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(52.442)	0.000	(22.189)	(30.253)
Strata Transfers	0.000	0.000	249.042	(249.042)
Net/Standard Difference	(889.738)	0.000	(889.738)	0.000
Total	(942.180)	0.000	(662.885)	(279.295)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 81
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2009

	Total	Mobilization	--- Peacetime ---	
			Operating	Other
1. INVENTORY BOP	8,556.279	0.000	3,210.489	5,345.790
2. BOP INVENTORY ADJUSTMENTS	82.748	0.000	147.240	(64.492)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	131.422	(131.422)
B. PRICE CHANGE AMOUNT (memo)	82.748	0.000	15.818	66.930
C. INVENTORY RECLASSIFIED AND REPRICED	8,639.027	0.000	3,357.729	5,281.298
3. RECEIPTS AT STANDARD	515.449	0.000	515.449	0.000
4. SALES AT STANDARD	822.102	0.000	822.102	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	29.000	0.000	5.349	23.651
C. RETURNS FROM CUSTOMERS, NO CREDIT	1,724.111	0.000	638.273	1,085.838
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(714.000)	0.000	0.000	(714.000)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(932.826)	0.000	(414.325)	(518.501)
H. TOTAL ADJUSTMENTS	106.285	0.000	229.297	(123.012)
6. INVENTORY EOP	8,438.659	0.000	3,280.373	5,158.286
7. INVENTORY EOP (REVALUED)	5,667.353	0.000	2,513.683	3,153.670
A. APPROVED ACQUISITION OBJECTIVE (memo)				2,314.883
B. ECONOMIC RETENTION (memo)				496.707
C. CONTINGENCY RETENTION (memo)				325.854
D. POTENTIAL DOD REUTILIZATION (memo)				16.226
8. INVENTORY ON ORDER EOP (memo)	244.849	0.000	244.849	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(52.065)	0.000	(22.023)	(30.042)
Strata Transfers	0.000	0.000	488.459	(488.459)
Net/Standard Difference	(880.761)	0.000	(880.761)	0.000
Total	(932.826)	0.000	(414.325)	(518.501)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 85
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2007

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	33,579.012	2.461	16,205.688	17,370.863
2. BOP INVENTORY ADJUSTMENTS	644.307	0.093	5,277.254	(4,633.040)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	4,865.876	(4,865.876)
B. PRICE CHANGE AMOUNT (memo)	644.307	0.093	411.378	232.836
C. INVENTORY RECLASSIFIED AND REPRICED	34,223.319	2.554	21,482.942	12,737.823
3. RECEIPTS AT STANDARD	1,005.246	0.000	981.612	23.634
4. SALES AT STANDARD	3,168.968	0.000	3,168.968	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	79.889	0.000	76.933	2.956
B. RETURNS FROM CUSTOMERS FOR CREDIT	52.288	0.000	49.461	2.827
C. RETURNS FROM CUSTOMERS, NO CREDIT	16,115.445	0.000	7,424.110	8,691.335
D. RETURNS TO SUPPLIERS (-)	0.000			
E. TRANSFERS TO PROP. DISPOSAL (-)	(5,743.624)	0.000	0.000	(5,743.624)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(325.399)	0.000	0.000	(325.399)
G. OTHER (listed in Section 9)	(10,728.067)	0.000	(8,860.435)	(1,867.632)
H. TOTAL ADJUSTMENTS	(549.468)	0.000	(1,309.932)	760.464
6. INVENTORY EOP	31,510.129	2.554	17,985.654	13,521.921
7. INVENTORY EOP (REVALUED)	16,279.708	1.429	10,061.828	6,216.451
A. APPROVED ACQUISITION OBJECTIVE (memo)				5,554.498
B. ECONOMIC RETENTION (memo)				426.950
C. CONTINGENCY RETENTION (memo)				207.376
D. POTENTIAL DOD REUTILIZATION (memo)				27.627
8. INVENTORY ON ORDER EOP (memo)	1,195.498	0.000	1,190.035	5.463
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(601.637)	0.000	(466.548)	(135.089)
Strata Transfers	0.000	0.000	1,732.543	(1,732.543)
Net/Standard Difference	(10,126.430)	0.000	(10,126.430)	0.000
Total	(10,728.067)	0.000	(8,860.435)	(1,867.632)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 85
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2008

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	31,510.129	2.554	17,985.654	13,521.921
2. BOP INVENTORY ADJUSTMENTS	457.566	0.050	5,227.058	(4,769.542)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	4,947.581	(4,947.581)
B. PRICE CHANGE AMOUNT (memo)	457.566	0.050	279.477	178.039
C. INVENTORY RECLASSIFIED AND REPRICED	31,967.695	2.604	23,212.712	8,752.379
3. RECEIPTS AT STANDARD	1,426.187	0.000	1,415.705	10.482
4. SALES AT STANDARD	3,281.064	0.000	3,281.064	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	56.800	0.000	3.954	52.846
C. RETURNS FROM CUSTOMERS, NO CREDIT	15,020.055	0.000	7,958.322	7,061.733
D. RETURNS TO SUPPLIERS (-)	0.000			
E. TRANSFERS TO PROP. DISPOSAL (-)	(3,920.000)	0.000	0.000	(3,920.000)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(10,687.305)	0.000	(10,320.457)	(366.848)
H. TOTAL ADJUSTMENTS	469.550	0.000	(2,358.181)	2,827.731
6. INVENTORY EOP	30,582.368	2.605	18,989.171	11,590.592
7. INVENTORY EOP (REVALUED)	15,855.002	1.448	10,557.067	5,296.487
A. APPROVED ACQUISITION OBJECTIVE (memo)				4,732.495
B. ECONOMIC RETENTION (memo)				363.767
C. CONTINGENCY RETENTION (memo)				176.687
D. POTENTIAL DOD REUTILIZATION (memo)				23.538
8. INVENTORY ON ORDER EOP (memo)	1,251.042	0.000	1,249.690	1.352
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(81.348)	0.000	(23.048)	(58.300)
Strata Transfers	0.000	0.000	308.548	(308.548)
Net/Standard Difference	(10,605.957)	0.000	(10,605.957)	0.000
Total	(10,687.305)	0.000	(10,320.457)	(366.848)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 85
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY2009

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	30,582.368	2.605	18,989.171	11,590.592
2. BOP INVENTORY ADJUSTMENTS	521.215	0.043	4,352.501	(3,831.329)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	3,997.164	(3,997.164)
B. PRICE CHANGE AMOUNT (memo)	521.215	0.043	355.337	165.835
C. INVENTORY RECLASSIFIED AND REPRICED	31,103.583	2.648	23,341.672	7,759.263
3. RECEIPTS AT STANDARD	1,252.421	0.000	1,249.810	2.611
4. SALES AT STANDARD	3,393.652	0.000	3,393.652	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	56.800	0.000	3.974	52.826
C. RETURNS FROM CUSTOMERS, NO CREDIT	15,759.522	0.000	8,868.779	6,890.743
D. RETURNS TO SUPPLIERS (-)	0.000			
E. TRANSFERS TO PROP. DISPOSAL (-)	(3,920.000)	0.000	0.000	(3,920.000)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(11,293.548)	0.000	(10,907.673)	(385.875)
H. TOTAL ADJUSTMENTS	602.774	0.000	(2,034.920)	2,637.694
6. INVENTORY EOP	29,565.126	2.648	19,162.909	10,399.568
7. INVENTORY EOP (REVALUED)	15,955.676	1.524	11,032.655	4,921.497
A. APPROVED ACQUISITION OBJECTIVE (memo)				4,397.436
B. ECONOMIC RETENTION (memo)				338.012
C. CONTINGENCY RETENTION (memo)				164.177
D. POTENTIAL DOD REUTILIZATION (memo)				21.872
8. INVENTORY ON ORDER EOP (memo)	1,227.691	0.000	1,227.691	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(84.189)	0.000	(23.853)	(60.336)
Strata Transfers	0.000	0.000	325.539	(325.539)
Net/Standard Difference	(11,209.359)	0.000	(11,209.359)	0.000
Total	(11,293.548)	0.000	(10,907.673)	(385.875)

NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT-NAVY
WHOLESALE COST RECOVERY RATE CALCULATION
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)

SHIPS/AVIATION	FY 07	FY08	FY09
1. Net sales at Cost	4098.147	3755.527	3966.382
2. Less: Material Inflation Adj	141.695	-30.791	48.164
3. Revised Net Sales at Cost	3956.452	3786.319	3918.218
4. Surcharge (\$)	459.524	545.409	597.464
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.124	0.112	0.145
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.152	0.136	0.165
c. Percent change to customer	2.4%	2.7%	1.8%

NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT-NAVY
WHOLESALE COST RECOVERY RATE CALCULATION
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)

BP34-AVIATION CONSUMABLES	FY 07	FY08	FY09
1. Net sales at Cost	356.052	341.594	307.628
2. Less: Material Inflation Adj	10.519	4.431	6.511
3. Revised Net Sales at Cost	345.533	337.163	301.117
4. Surcharge (\$)	29.730	46.573	40.473
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.103	0.083	0.136
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.116	0.151	0.156
c. Percent change to customer	1.2%	6.3%	1.7%

NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT-NAVY
WHOLESALE COST RECOVERY RATE CALCULATION
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)

BP81-SHIP	FY 07	FY08	FY09
1. Net sales at Cost	696.899	676.773	695.902
2. Less: Material Inflation Adj	23.934	20.777	4.529
3. Revised Net Sales at Cost	672.965	655.996	691.373
4. Surcharge (\$)	122.795	126.794	126.200
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.173	0.176	0.187
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.218	0.225	0.189
c. Percent change to customer	3.8%	4.2%	1.2%

NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT-NAVY
WHOLESALE COST RECOVERY RATE CALCULATION
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)

BP85-AVIATION REPAIRABLES	FY 07	FY08	FY09
1. Net sales at Cost	3045.198	2737.160	2962.852
2. Less: Material Inflation Adj	107.242	-55.999	37.124
3. Revised Net Sales at Cost	2937.956	2793.159	2925.728
4. Surcharge (\$)	306.999	372.042	430.800
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.114	0.101	0.136
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.141	0.113	0.160
c. Percent change to customer	2.2%	1.9%	1.9%

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
WAR RESERVE MATERIAL (WRM)
STOCKPILE**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY 2007**

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	244.611	244.611	
2. Price Change	2.508	2.508	
3. Reclassification	0.000	0.000	
4. Inventory Changes	(240.767)	(240.767)	0.000
a. Receipts @ std	0.000	0.000	0.000
(1). Purchases	0.000	0.000	
(2). Returns from customers	0.000	0.000	
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	
(2). Returns to suppliers	0.000	0.000	
(3). Disposals	0.000	0.000	
(4). Issues/receipts w/o ADJs	0.000	0.000	
c. Adjustments @ std	(240.767)	(240.767)	0.000
(1). Capitalizations	(240.749)	(240.749)	
(2). Gains and losses	0.000	0.000	
(3). Other	(0.018)	(0.018)	
5. Inventory EOP	6.351	6.351	0.000

STOCKPILE COSTS

1. Storage	0.004
2. Management	0.000
3. Maintenance/Other	0.000
Total Cost	0.004

WRM BUDGET REQUEST

1. Obligations @ cost	0.000
a. Additional WRM	0.000
b. Replen. WRM	0.000
c. Repair WRM	0.000
d. Assemble/Disassemble	0.000
e. Other	0.000
Total Request	0.000

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
WAR RESERVE MATERIAL (WRM)
STOCKPILE**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY 2008**

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	6.351	6.351	
2. Price Change	0.270	0.270	
3. Reclassification	0.000	0.000	
4. Inventory Changes	0.000	0.000	0.000
a. Receipts @ std	0.000	0.000	0.000
(1). Purchases	0.000	0.000	
(2). Returns from customers	0.000	0.000	
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	
(2). Returns to suppliers	0.000	0.000	
(3). Disposals	0.000	0.000	
(4). Issues/receipts w/o ADJs	0.000	0.000	
c. Adjustments @ std	0.000	0.000	0.000
(1). Capitalizations	0.000	0.000	
(2). Gains and losses	0.000	0.000	
(3). Other	0.000	0.000	
5. Inventory EOP	6.621	6.621	0.000

STOCKPILE COSTS

1. Storage	0.004
2. Management	0.000
3. Maintenance/Other	0.000
Total Cost	0.004

WRM BUDGET REQUEST

1. Obligations @ cost	0.000
a. Additional WRM	0.000
b. Replen. WRM	0.000
c. Repair WRM	0.000
d. Assemble/Disassemble	0.000
e. Other	0.000
Total Request	0.000

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
WAR RESERVE MATERIAL (WRM)
STOCKPILE**

**FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)
FY 2009**

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	6.621	6.621	
2. Price Change	0.163	0.163	
3. Reclassification	0.000	0.000	
4. Inventory Changes	0.000	0.000	0.000
a. Receipts @ std	0.000	0.000	0.000
(1). Purchases	0.000	0.000	
(2). Returns from customers	0.000	0.000	
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	
(2). Returns to suppliers	0.000	0.000	
(3). Disposals	0.000	0.000	
(4). Issues/receipts w/o ADJs	0.000	0.000	
c. Adjustments @ std	0.000	0.000	0.000
(1). Capitalizations	0.000	0.000	
(2). Gains and losses	0.000	0.000	
(3). Other	0.000	0.000	
5. Inventory EOP	6.784	6.784	0.000

STOCKPILE COSTS

1. Storage	0.004
2. Management	0.000
3. Maintenance/Other	0.000
Total Cost	0.004

WRM BUDGET REQUEST

1. Obligations @ cost	0.000
a. Additional WRM	0.000
b. Replen. WRM	0.000
c. Repair WRM	0.000
d. Assemble/Disassemble	0.000
e. Other	0.000
Total Request	0.000

Activity Group Capital Investment Summary
 Component: Navy
 Activity Group: Supply Management
 Fiscal Year (FY) 2009 Budget Estimates - February 2008
 (\$ IN MILLIONS)

LINE NUMBER	ITEM DESCRIPTION	FY 2007		FY 2008		FY 2009	
		QUANTITY	TOTAL COST	QUANTITY	TOTAL COST	QUANTITY	TOTAL COST
0001	Equipment Capabilities -Replacement -Productivity -New Mission -Environmental		1.428		2.031		2.069
		VAR	1.428	VAR	2.031	VAR	2.069
0002	ADPE & Telecommunications Equipment Capabilities Computer Hardware (Production) Computer Software (Operating System) Telecoms, Other Computer & Telecom Sup Equip.		0.819		1.845		0.935
		VAR	0.819	VAR	1.845	VAR	0.935
0003	Software Development Internally Developed Financial Initiatives One Touch v3.0 UADPS-ICP/UADPS-U2/SP Birdtrack One Supply Externally Developed Enterprise Resource Planning		3.640		8.407		4.845
			3.640		4.667		4.845
			0.000		0.000		0.000
		VAR	0.750	VAR	0.700	VAR	0.700
		VAR	1.894	VAR	2.467		0.000
		VAR	0.996	VAR	0.000		0.000
		VAR	0.000	VAR	1.500	VAR	4.145
			0.000		3.740		0.000
			0.000		3.740		0.000
			2.277		2.416		2.365
0004	Minor Construction Capabilities -Replacement -Productivity -New Mission -Environmental TOTAL		2.277		2.416		2.365
		VAR	2.277	VAR	2.416	VAR	2.365
			8.164		14.699		10.214
	Total Capital Outlays		13.444		14.374		13.296
	Total Depreciation Expense		29.201		28.403		27.168

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)									
A. Budget Submission Fiscal Year (FY) 2009 Budget Estimates					D. Activity Identification NWCF				
B. Component/Business Area/Date Navy/Supply Management/February 2008					C. Line No. & Item Description 0001 Material Handling Equipment (Forklifts)				
Element of Cost	FY 2007			FY 2008			FY 2009		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Equipment Capability Replacement Productivity New Mission Environmental	VAR	VAR	1,100	40	VAR	1,180	40	VAR	1,200

Narrative Justification:

This program funds the procurement of new/initial outfitting and replacement of Material Handling Equipment (MHE) and Automated Material Handling Systems (AMHS) to satisfy operational requirements within the Navy Supply System. Replacement MHE is for over aged non-repairable equipment used in material handling operations at various activities. With a large inventory of equipment at the various Fleet and Industrial Supply Centers (FISCs) there will always be units eligible for replacement through procurement. If fully supported, this funding will allow the Navy to develop the right mix of new procurements, resulting in overall required MHE reductions, and resolving the problem of trying to maintain old equipment at high maintenance cost and reduced state of readiness. MHE funding limitations in past years has precluded the purchase of required MHE planned for issue. We can not emphasize enough that this is a continuing program and one year builds on the next. Delaying any funding only postpones the inevitable requirement to procure a new unit at a higher cost. Supply readiness and logistical support are dependent upon the availability of reliable MHE. Non-repairable equipment is not cost effective to maintain for continued operation, and repair parts are difficult to obtain. Replacement of non-repairable equipment with new and more efficient models will reduce excessive costs attributed to repair/overhaul, downtime and maintenance. New equipment will enhance productivity and enable users to meet handling and logistics requirements in an efficient and effective manner. For these reasons it is essential to maintain funding to cover procurement of new equipment as required.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)											
A. Budget Submission Fiscal Year (FY) 2009 Budget Estimates			B. Component/Business Area/Date Navy/Supply Management/February 2008			C. Line No. & Item Description 0001 Civil Engineering Support Equipment			D. Activity Identification NWC FY 2009		
Element of Cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Equipment Capability Replacement Productivity New Mission Environmental	VAR	VAR	VAR	0.328	VAR	VAR	0.851	VAR	VAR	0.869	
Narrative Justification:											
Naval Supply Systems Command (NAVSUP) is responsible for replacing and maintaining aging Civil Engineering Support Equipment (CESE) necessary for fuel depot operations throughout the Navy. This equipment is necessary to maintain and improve the working conditions and assist NAVSUP operations employees. Safety, reliability, maintenance cost and customer support are directly impacted by age and condition of this equipment. Economic analysis is not provided since equipment is only replaced as useful life has been exceeded due to age and or usage. Dollar values are established by NAVFAC procuring activity in Port Hueneheme, CA. Examples: Tanker truck, fire fighting pumper truck, 20 ton semi trailer stake 2 axle, 20 ton semi trailer van 2 axle.											

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)									
A. Budget Submission Fiscal Year (FY) 2009 Budget Estimates			C. Line No. & Item Description 0002 Information Technology			D. Activity Identification NWC			
B. Component/Business Area/Date Navy/Supply Management/February 2008			FY 2007		FY 2008		FY 2009		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADPE & Telecommunications Equipment Capabilities									
Computer Hardware (Production)	VAR	VAR	0.819	VAR	VAR	1.845	VAR	VAR	0.935
Computer Software (Operating System)									
Telecoms, Other Computer & Telecom Sup Equip.									

Narrative Justification:

Navy Supply Information Systems Activity (NAVSISA) - Funds provide support to the NAVSISA Legacy/Non-Navy/Marine Corps Intranet (NMCI) Network Plan. As part of the plan, NAVSISA is upgrading its network, which will replace obsolete non-NMCI ADP equipment to provide an environment for client/server development. A variety of PC hardware platforms currently exists in NAVSISA that prevents deployment of the development tools needed to maintain its competitiveness. Upgrading and standardizing hardware infrastructure will allow NAVSISA to use the network to deploy the latest legacy/non-NMCI software products.

Naval Inventory Control Point (NAVICP) - Funds provide support for the procurement of an integrated security management system that would replace the current technologically outdated system. The current and vulnerable security system lacks the ability to meet safeguards that have become necessary in today's post 911 environment. The integrated system will provide an open architecture allowing NAVICP options and choices to include database technologies, client operating systems, digital video technologies, etc. The integrated security system is anticipated to provide future savings, by providing one system to maintenance, as compared to the current system that involves multiple parts (e.g. Closed Circuit Television, Card Readers). The integrated system will help streamline security procedures and processes, allowing NAVICP to better utilize our resources more effectively.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION									
(\$ in Millions)									
B. Component/Business Area/Date					C. Line No. & Item Description				
Navy/Supply Management/February 2008					0003 One Touch Support				
Element of Cost		FY 2007		FY 2008		FY 2009		D. Activity Identification	
Quantity	Unit Cost	Quantity	Total Cost	Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Total Cost
VAR	VAR	VAR	0.750	VAR	VAR	VAR	VAR	VAR	0.700
<p>Software Development</p> <p>One Touch Support</p>									
<p>Narrative Justification:</p> <p>Web-based real-time data access and status information to legacy Navy and DLA legacy/DLA ERP supply system providing supply technical screening, stock check information for NSNs, requisition status, MILSTRIP entry, and shipment status. OTS provides a common view across DLA and Navy inventory applications and distributed databases and provides a single-point, centrally managed global access available to all authorized users through a common desktop portal. Complete end-to-end real-time supply chain capability and visibility is provided through OTS. Navy ERP has incorporated OTS as customer portal interface pending deployment of SAP portal solution. OTS is an identified interface for Navy ERP 1.1 and 1.X. Cost avoidance associated with this ERP interface is the projected user base multiplied by associated SAP licenses, as well as the cost avoidance associated with SAP integration to the multiple DoD and Navy legacy system interfaces that One Touch currently provides. One Touch transaction workload reverting to a call center, i.e. the Global Distance Support Center (GDSC) and personal assistance, i.e. Logistics Support Centers (LSC) and other submission processes into the supply system exponentially increases transaction processing time and support costs. Application of a simple workload formula produces a rough order of magnitude which indicates a significant cost impact without access to OTS capability within these logistics support functions. If 50% of OTS workload pushed into the GDSC, cost for processing workload is projected at \$23,045, 650. Additional cost for processing actions accessing multiple systems rather than one system (OTS) will drive individual transaction costs even higher. If 10% of OTS workload pushed into the LSC, costs would increase within the LSC by \$16,344, 143. Additional time required for processing actions accessing multiple systems rather than one system (OTS) will drive transaction costs higher. An economic analysis was performed and submitted as part of the FY06 BMMP submission for One Touch Support. It was approved January 25, 2006. Cost avoidance related to operational efficiencies in use of OTS is estimated at \$1.5 million annually FY06-FY12 during the system's remaining lifecycle. Investment & Return (FYDP \$'s based on FY07 BES) (Projected) ROI: 1.05 Break-even: 2012 NPV: \$0.327M. Denial of this funding would greatly affect DoN operations. Customer Support is not part of the current Navy ERP process footprint. The customer self-service capability and workload capacity associated with OTS as an interim solution processing into both ERP systems and legacy systems significantly streamlines and standardizes management of logistics functions and requisitioning processes. OTS provides worldwide, real time visibility of Naval and DLA assets. The OTS program insures that timely and accurate information is provided to meet the needs of the war fighter, and further enables Navy Human Capital Strategy goals by providing a capability that permits significantly more work to be done by fewer personnel. Customer Support Process impact due to funding elimination: a. Fractures customer support methods and requires workload processing through disparate systems rather than single point of entry. b. If at least 40% of the OTS workload back to Fleet for processing through multiple systems, significant additional training costs associated with use of multiple systems and affects Human Capital Strategy objectives associated with moving workload ashore. Higher transaction cost than if OTS available to customer. Customers' greater reliance on Global Distance Support Center and Logistics Support Center would overload the capabilities of both those alternatives. c. Impairs Fleet readiness by forcing use of multiple tools rather than single point of entry. d. Asset visibility is reduced as alternate systems do not presently provide access to all systems OTS provides e. Full supply chain status visibility is degraded - elimination of OTS eliminates end-to-end view of requisition status (requisition input through delivery) including procurement status information as well as asset visibility. This full picture is not provided through any other tool presently available to over 17,000 active registered users. Web-enabled system facilitates ease of integration with other DOD/DON logistics/supply systems, DLA and Navy ERP systems, and affords 24/7 access by the user. The system is in sustainment with limited integration and interface requirements through ERP brownout in FY10. The software is maintained and developed internally at NAVSISA, Mechanicsburg, PA. License fees are included as part of the NAVSUP enterprise Oracle licenses and are not separately charged to the program.</p>									

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)										
B. Component/Business Area/Date Navy/Supply Management/February 2008			C. Line No. & Item Description 0003 UADPS-ICP/UADPS-U2/SP				A. Budget Submission Fiscal Year (FY) 2009 Budget Estimates			
Element of Cost	FY 2007		FY 2008		FY 2009		D. Activity Identification NWCF			
	Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Unit Cost	Total Cost	
Software Development UADPS-ICP/UADPS-U2/SP	VAR	VAR	VAR	VAR	VAR	VAR			2.467	0.000

Narrative Justification:

Reengineer and modernize core business systems that will not be replaced by NERP Single Supply Solution. Many NAVSUP systems have been in a "brown-out" status waiting for ERP implementation. The purpose of this funding is to modernize those systems and add functionality where appropriate to bring these systems out of a state of obsolescence. Funding will be used to:

- single up functionality in multiple systems, to eliminate redundant functionality, and reengineering/modernization as required to integrate with, or be "bolt-ons" to ERP include, but are not limited to the following applications/systems: Integrated Technical Item Management and Procurement (ITIMP), Regional One Touch (R1T), Navy Supply Discrepancy Reporting System (NSDRS), InforM-21/Data Warehousing, Logistics Support Center /Logistic Support Center/Logistic Customer Asset Visibility (LSC/LCAV), Standard Automated Logistics Tool Set (SALTS), Serial Number Tracking (SNT), electronic Retrograde management System (eRMS), Re-Engineered Maritime Allowance Development (ReMAD), Automated COSAL Tracking System-International Logistics (ACTS-IL), Tier II Oracle, etc.
- reengineer and modernize the Readiness Suite (Readiness Based Sparing (RBS) Workstation/Common Rates Computation System-Command Allowance Development (CRCS-CAD)) application. Increased functionality will be provided through incorporating changes that come out of the Aviation Consumable Assessment Study; enhancing rate computations, candidate file preparation and allowance computation for Fleet Readiness Centers; enable automated preparation of failed Aircraft and Equipment Configuration List with transmission to the fleet for review; modify the application to consider weight, cube, and other factors required to support preparation of CVN21 candidate files; modify the Maritime application to include provisions for dual rates review capability.
- adoption of a service oriented architecture to support interoperability and seamless integration with N-ERP delivery. The adoption of a standard development environment for the remaining applications to lower future total ownership costs. Consolidate redundant data warehouses at ICP (e.g. Focus into InforM-21). Cognos Upgrade (SW Upgrade and CSS to accomplish the task) for InforM-21 for current users plus an additional 1,500 users of the UICP Transaction History File (does not include potential Distance Support or other FISC/ICP users.
- improve our PBL Tracking application, which is called for in an IG finding.
- complete the Tandem Retirement and IDMS upgrade.
- produce a NAV/ICP in-Transit Account (NITA) module of eRMS which will retire NAVICP's legacy Carcass Tracking (PR04A) and Stock-in-Transit (PM76) programs and provide that functionality to the Navy-ERP program upon that system's implementation.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)										
B. Component/Business Area/Date Navy/Supply Management/February 2008			C. Line No. & Item Description 0003 One Supply				A. Budget Submission Fiscal Year (FY) 2009 Budget Estimates			
Element of Cost	FY 2007		FY 2008		FY 2009		D. Activity Identification			
	Quantity	Unit Cost	Quantity	Unit Cost	Quantity	Unit Cost	NWC			
Software Development										
One Supply	VAR	VAR	VAR	VAR	VAR	VAR	1.500	VAR	VAR	4.145
		0.000								

Narrative Justification:

One Supply will be the multi-commodity, ashore supply support solution that encompasses both transaction processing and trend analysis tools to facilitate decision-making across the supply management spectrum. One Supply will provide enhanced support for war fighter logistics resulting in improved readiness and facilitating moving workload ashore.

The FY 08 & 09 information technology plan for One Supply includes the environmental standup (i.e., hardware/software), Web application software engineering and development, database design and creation, data warehousing development/integration, as well as interface development/linkage with existing systems. Additionally, inclusion and integration of the myriad existing legacy systems is also planned for FY 08 & 09, based on functionality and architectural analyses conducted in FY 07. It is expected that One Supply will be a Web-accessible system that will provide multi-commodity stock control, requisition processing, expediting, and transaction processing as well as analytical processing (e.g., ACWT, LRT, stock positioning and trend analysis) using next generation information technology standards. One Supply will be designed with Navy ERP as the end-state for respective commodity management and statistical analysis.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission Fiscal Year (FY) 2009 Budget Estimates	
B. Component/Business Area/Date Navy/Supply Management/February 2008		C. Line No. & Item Description 0003 Enterprise Resource Planning (ERP)			D. Activity Identification NWCFF			
Element of Cost	FY 2007		FY 2008		FY 2009		Quantity	Total Cost
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
Software Development Enterprise Resource Planning (ERP)			0.000	VAR	VAR	3.740		0.000

Narrative Justification:

Navy ERP is an integrated business management system that modernizes and standardizes Navy business operations, provides unprecedented management visibility across the enterprise, and increases effectiveness and efficiency. The Navy ERP solution allows the Navy to streamline business activities into one system achieving the highest standard of secure, reliable, accessible, and current information. Processes are simplified, redundancies eliminated, efficiencies achieved. Navy ERP is compliant with CFO Act. Navy ERP uses commercial software that requires users to be licensed. The budget estimate supports the purchase of user licenses three months prior to Go-Live.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)											
A. Budget Submission Fiscal Year (FY) 2009 Budget Estimates			B. Component/Business Area/Date				C. Line No. & Item Description				
NWC			Navy/Supply Management/February 2008				0004 Minor Construction				
D. Activity Identification			FY 2007			FY 2008			FY 2009		
			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Element of Cost											
Minor Construction Capabilities											
-Replacement											
-Productivity											
-New Mission			VAR	VAR	2.277	VAR	VAR	2.416	VAR	VAR	2.365
-Environmental											

Narrative Justification:

Minor Construction: NAVSUP, as the maintenance UIC for all facilities occupied and operated by NAVSUP employees, is responsible for Real Property Maintenance (Minor Construction portion) of facilities occupied and operated. These NWC Supply Management projects are necessary to maintain and improve the working conditions for NAVSUP claimancy employees. Projects include Minor Construction requirements of facilities as well as Quality of Life and correction of Safety deficiencies. Minor Construction funding requested supports the overall RPM objectives of the NAVFAC recommended spending limits of between 2% to 4% annually based on the associated property values. Economic analysis are not performed since Minor Construction funding limits keep investment percentage to such a small percentage of the total facility value. Cost savings if identified are provided as part of the project documentation developed. Each minor construction project must be less than \$750,000. No minor construction project exceeds the current MILLCON threshold.

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY2007
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
07	Non-ADP Equipment	-505	1.933	1.428	.000	Adjusted requirements
07	ADP Equipment	-.116	.935	.819	.000	Adjusted requirements
07	Software Development	-5.109	8.749	3.640	.000	Adjusted requirements
07	Minor Construction	-.193	2.470	2.277	.000	Adjusted requirements
	Total Capital Investment	-5.923	14.087	8.164	.000	

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY2008
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
08	Non-ADP Equipment	.000	2.031	2.031	.000	
08	ADP Equipment	.910	.935	1.845	.000	Adjusted requirements
08	Software Development	4.735	3.672	8.407	.000	Adjusted requirements
08	Minor Construction	.000	2.416	2.416	.000	
	Total Capital Investment	5.645	9.054	14.699	.000	

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY2009
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
09	Non-ADP Equipment	.000	2.069	2.069	.000	
09	ADP Equipment	.000	.935	.935	.000	
09	Software Development	.746	4.099	4.845	.000	Adjusted requirements
09	Minor Construction	.000	2.365	2.365	.000	
	Total Capital Investment	.746	9.468	10.214	.000	

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
SOURCES OF REVENUE
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(\$ in Millions)**

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
a. Orders from DoD Components:			
Own Component			
1105 Military Personnel, M.C.	0.000	0.000	0.000
1106 O&M Marine Corps	17.297	17.986	18.901
1108 Reserve Personnel, M.C.	0.000	0.000	0.000
1109 Procurement, M.C.	0.509	0.529	0.556
1205 Military Construction, Navy	0.102	0.106	0.111
1319 RDT & E, Navy	0.407	0.423	0.445
1405 Reserve Personnel, Navy	0.000	(0.106)	(0.111)
1453 Military Personnel, Navy	0.000	0.000	0.000
1506 Aircraft Procurement, Navy	354.817	492.459	544.662
1507 Weapons Procurement, Navy	5.800	8.700	7.200
1611-1811 Shipbuilding & Conv. Navy	27.200	30.600	30.000
1804 O&M, Navy	3635.738	3668.199	3838.156
1806 O&M, Navy Reserve	81.703	84.957	89.281
1810 Other Procurement, Navy	37.000	44.900	44.200
4930 Navy Working Capital Fund	<u>727.188</u>	<u>733.660</u>	<u>767.653</u>
	4887.762	5082.414	5341.053
Orders from other DoD Components			
2100 Army	17.908	18.621	19.568
5700 Air Force	49.246	51.207	53.813
9700 Other DoD	<u>0.203</u>	<u>0.212</u>	<u>0.222</u>
	67.357	70.040	73.604
b. Orders from other Fund Business Areas:			
Distribution Depots, Navy			
Logistics Support, Navy	0.000	0.000	0.000
c. Total DoD	4955.119	5152.454	5414.657
d. Other Orders:			
Other Federal Agencies	1.424	1.481	1.557
Trust Fund	0.000	0.000	0.000
Non-Federal Agencies *	144.200	121.121	119.760
Foreign Military Sales (FMS)	<u>108.158</u>	<u>112.465</u>	<u>118.189</u>
	253.782	235.067	239.505
2. Carry-In Orders	628.663	631.884	614.404
3. Total Gross Orders	5837.564	6019.405	6268.566
4. Change to Backlog	631.884	614.404	692.704
5. Total Gross Sales	5205.680	5405.001	5575.862
Reimbursable Orders (BP 91)	471.419	471.220	490.656

* Non-federal agencies line includes cash sales

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
REVENUE AND EXPENSE SUMMARY
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES - FEBRUARY 2008
(Dollars in Millions)**

	FY2007	FY2008	FY2009
REVENUE:			
Gross Sales			
Operations	5191.593	5395.947	5565.649
Capital Surcharge	(15.114)	(18.577)	(16.955)
Depreciation except Maj Const	29.201	27.631	27.168
Major Construction Dep	0.000	0.000	0.000
Other Income	471.419	471.220	490.656
Refunds/Discounts (- Credit Sales)	(82.283)	(91.336)	(91.393)
Total Income:	5594.816	5784.885	5975.125
EXPENSES:			
Cost of Materiel Sold from Inventory	4691.437	4741.521	4890.517
Salaries and Wages:			
Military Personnel	27.537	28.540	29.377
Civilian Personnel	556.214	571.257	589.445
Travel & Transportation of Personnel	13.652	14.593	14.885
Materials & Supplies	27.282	32.713	33.367
Equipment	12.578	13.025	12.526
Other Purchases from Revolving Funds	235.937	254.735	269.345
Transportation of Things	0.000	0.000	0.000
Depreciation - Capital	29.201	28.403	27.168
Printing and Reproduction	1.579	1.685	1.717
Advisory and Assistance Services	34.986	37.097	37.839
Rent, Communication, Utilities & Misc	17.939	18.546	18.918
Other Purchased Services	(102.712)	2.570	16.466
Inventory Gains and Losses	99.709	52.612	52.164
TOTAL EXPENSES	5645.339	5797.297	5993.734
Operating Result	(50.523)	(12.412)	(18.609)
Less Capital Surcharge reservation	(21.037)	(13.704)	(16.955)
Plus Appro Affecting NOR/AOR	0.000	0.000	0.000
Plus Other Changes Affecting NOR	28.583	0.000	0.000
Net Operating Result	(0.903)	1.292	(1.654)
Other Changes Affecting AOR			
Accumulated Operating Result	0.362	1.654	(0.000)

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MARINE CORPS SUPPLY

Marine Corps Supply

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT – MARINE CORPS
FISCAL YEAR (FY) 2009 BUDGET ESTIMATES
FEBRUARY 2008**

Activity Group Functions:

The Navy Working Capital Fund Supply Management Activity Group (SMAG) performs inventory management functions that result in the sale of consumable and reparable items to support Department of Defense (DOD), other government, and non-governmental customers' supply needs. Costs related to providing material support to customers are recouped through the application of stabilized rates that include recovery for cost elements such as inventory management and the receipt and issue of assets.

Marine Corps Supply Activity Group Composition:

Portions of the following Marine Corps organization are funded in this Activity Group:

- Supply Chain Management Center, Albany, GA
- Direct Support Stock Control, Albany, GA
- Direct Support Stock Control, Barstow, CA
- Business Logistics Support Department, Camp Lejeune, NC
- Direct Support Stock Control, Quantico, VA
- Consolidated Material and Service Center, Camp Pendleton, CA
- Direct Support Stock Control, Camp Butler, JA

Executive Summary

The Marine Corps continues to focus on its logistical transformation of distribution and maintenance systems as outlined in Logistics Modernization (formerly Integrated Logistics Capabilities) goals. The following are goals of Logistics Modernization:

- ❑ Customize management of 4th echelon of maintenance of secondary repairables
- ❑ Consolidate 2nd and 3rd echelon of maintenance to the intermediate level
- ❑ Consolidate supply functions at the retail level (Sassy Management Unit)
- ❑ Institutionalize the Quadrant Model for materiel management
- ❑ Institutionalize Performance Based Agreements (PBAs) consistent with industry proven Supply Chain Operating Reference (SCOR) practices and results.

This series of business processes builds knowledge of customers' operational requirements for managers to forecast budget requirements more efficiently and effectively.

As of this submission, decapitalization of fuel from SMAG to the Defense Energy Support Center (DESC) has occurred at all sites except Camp Pendleton, CA. The Marine Corps is scheduled to complete Camp Pendleton in FY 2008. This budget includes obligation authority to sustain support through the transition period along with the fuel that is not anticipated to be decapitalized (JP-5 and diesel).

The United States Marine Corps (USMC) Deputy Commandant Combat Development and Integration Statement of Need, dated 6 October 2006, initiated the requirement for Marine Corps Systems Command (MCSC) to develop and field a series of Mine Resistant Ambush Protection (MRAP) Vehicles. The program is a Marine Corps led joint program with the Navy and Army. The MRAP is a versatile, multi-purpose, medium mine protected armored vehicle, which is urgently needed by Explosive Ordnance Disposal (EOD) and Engineer Mine Clearing teams deployed in support of Operation Iraqi Freedom. MRAPs will increase the survivability in known threat areas with Unexploded Ordnance and Improvised Explosive Devices. The MRAP is also required for contingency operations in support of the Global War on Terrorism. FY 2008 reflects an additional \$5M in MRAP sales associated with FY 2007 obligations. FY 2008 and FY 2009 include a request for variability target obligation authority until the requirements are further defined.

Program Highlights

Net Outlays:

(\$Million)	FY 2007	FY 2008	FY 2009
Collections	138.5	137.9	135.9
Disbursements	157.8	139.1	135.9
Transfers	32.4	0.0	0.0
Net Outlays	-13.1	1.2	0.0

In June 2007, USMC SMAG received a transfer of \$32.4M in supplemental War Reserve Material (WRM) funding.

Retail:

(\$Million)	FY 2007	FY 2008	FY 2009
Gross Sales	65.1	69.9	68.5
Credit Sales	0.1	0.1	0.1
Net Sales	65.0	69.8	68.4
Obligations-Peacetime	63.1	65.4	63.6
Obligations-Mobilization	0.4	12.0	0.0
Unit Cost (Dollars)	.97	.94	.93

FY 2007 Gross Sales decreased due to a reduction in the retail footprint for Direct Support Stock Control (DSSC) sites and diminishing customer demands resulting from troop

deployments. Gross Sales decrease for all years due to reduced DSSC utilization of the NWCF, along with a decrease in provisioning spares resulting from an updated customer requirement list during the POM process. FY 2007 obligations decreased due to the reduction of the retail footprint and the change in the customer's operating tempo. This budget cycle depicts the reduction of NWCF throughout the years along with the updated provisioning requirements profile. FY 2007 and FY 2008 reflect Mobilization Obligations for War Reserve Material from the Global War on Terror (GWOT) obligation authority issued in May 2007. Credit sales of \$100K are projected for FY 2008 and FY 2009. Credit sales occur when the SMAG credits customers for items turned in from stock if these items are required to bring the stock level of consumables back to an acceptable level or if another customer needs the item.

Wholesale:

(\$Million)	FY 2007	FY 2008	FY 2009
Gross Sales	71.8	77.6	76.9
Credit Sales	10.4	7.0	6.7
Net Sales	61.4	70.6	70.3
Obligations-Peacetime	55.4	36.7	47.3
Obligations-Mobilization	2.0	18.0	0.0
Cost of Operations	12.5	12.7	12.9
Unit Cost (Dollars)	1.09	0.73	0.87

*Amounts reflected above are rounded for presentation.

FY 2007 amounts reflect actual gross sales. FY 2008 gross sales increase due to higher cost recovery rates. FY 2009 reflects a small decrease due to a reduction for Global War on Terror (GWOT). Peacetime obligations in FY 2007 represent actual obligations, which included an increase due to a "life of type buy" for the Amphibious Assault Vehicle (AAV) 525 diesel engines. FY 2008 decreases for rebuild obligations due to changes in quantities, cost, and decreased requirements. FY 2009 increased mainly in replenishment and provisioning spares. The increase in replenishment spares is attributed to minor quantity increases along with some new buy requirements to support anticipated customer demands. The increase in provisioning requirements represents the latest profile of initial spares support requested by Marine Corps Systems Command in support of new weapon system fielding. These spares support the Advanced Extremely High Frequency Secure Mobile Anti-Jam Reliable Tactical Terminal (Smart-T).

Obligations for Cost of Operations vary slightly throughout the budget cycle due to cost elements, such as labor changes and variations in DLA charges. FY 2007 and FY 2008 reflect Mobilization Obligations for War Reserve Material from the Global War on Terror (GWOT) obligation authority issued in May 2007.

Credit sales occur when the SMAG credits customers for items turned in from stock if these items are required to bring the stock level reparable back to an acceptable level or if another customer needs the item.

Economic Indicators:

Description	FY 2007	FY 2008	FY 2009
Cost Recovery Rate (%)	1.62%	17.77%	24.70%
Annual Price Change (%)	-12.98%	18.71%	8.04%

FY 2007 cost recovery rate (CRR) decreases primarily due to a higher sales posture. FY 2008 and FY 2009 vary slightly due to program costs. Annual Price Change declined in FY 2007 as a result of previous Accumulated Operating Results (AOR) gains.

Description	FY 2007	FY 2008	FY 2009
Personnel (End Strength):	24	24	24
Civilians	24	24	24
Military	0	0	0

Peacetime Operating Stock (POS) Inventory

Standard Unit Price (\$Million)	FY 2007	FY 2008	FY 2009
Retail	194.8	191.6	190.5
Wholesale	604.5	660.9	617.1
Total	799.3	852.4	807.6

*Amounts reflected above are rounded for presentation.

This submission reflects a reduction in the retail inventory associated with reducing the NWCF footprint within the DSSCs. Wholesale inventory variations are attributable to varying revolving fund rates for revaluing inventory.

Net Operating Result (NOR)/Accumulated Operating Result (AOR)

(\$Million)	FY 2007	FY 2008	FY 2009
Revenue	164.8	140.4	138.7
Expenses	136.3	141.4	134.7
Operating Result	28.5	-1.0	4.0
Adj. to NOR	-38.4	0.0	0.0
NOR	-9.9	-1.0	4.0
Other Changes AOR	0.0	0.0	0.0
Prior Year AOR	6.9	-3.0	-4.0
AOR	-3.0	-4.0	0.0

Revenue and expenses decline across the budget years commensurate with sales and obligations. The budget is balanced and achieves a zero AOR in FY 2009.

Metrics:

Category	FY 2007	FY 2008	FY 2009
Items Managed	3,845	3,855	3,860
Requisitions Received	5,497	5,557	5,618
Receipts	1,058	1,047	1,036
Issues	5,874	5,815	5,756
Contracts Executed	125	90	90
Purchase Inflation	2.7%	1.9%	2.0%
Supply Material Availability	85.0%	85.0%	85.0%

Undelivered Orders: Undelivered orders represent contracts or orders for goods for which a liability has not yet accrued. The accrual of the liability creates an outlay requirement. Most undelivered orders are a result of known or calculable procurement, production, financial and administrative lead times that are part of normal supply management business operations. These factors are taken into consideration in the development of inventory levels and cash plans. Therefore, with the exception of extraordinary events, the impact of undelivered orders on cash and inventory is minimal. Undelivered orders balances (dollars in millions) for FY 2007 through FY 2009 are as follows:

<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
18.5	15.9	14.9

War Reserve Material: WRM funding supports the procurement, replenishment, reconstitution, stock and contracted asset availability guarantee of consumable and reparable items deemed necessary for war reserve. At the onset of the Global War on Terror (GWOT), the Marine Corps war reserve stock was severely depleted. Since that time, other engagements requiring withdrawal of war reserve stocks have further depleted the less than adequate war reserve stock. NWCF requested and received FY 2007 Supplemental funding for WRM. Commensurate obligations are reflected in the budget.

(\$Million)	FY 2007	FY 2008	FY 2009
War Reserve Material	2.4	30.0	.0

Performance Measures:

In addition to core metrics such as net and accumulated operating results (NOR/AOR), Supply Chain Channel Performance measures the capacity of the supply chain to respond to customer demand. Key components include:

- Fill Rate
- Order Filling Accuracy
- On-Time Shipping
- Claim-Free Delivery
- Backorders
- Customer Wait Time (CWT)
- Administrative Lead Time (ALT)
- Procurement Lead Time (PLT)
- Repair Cycle Time (RCT)

(\$Million)	Goal	FY 2007 Estimate	FY 2008 Estimate	FY 2009 Estimate
Supply Chain Channel Performance	85.0%	75.0%	80.0%	85.0%
Report of Discrepancy (ROD)	0.0%	0.0%	0.0%	0.0%
Rod Processing Time (# Days)	24	24	24	24

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
Fiscal Year (FY) 2009 Budget Estimate
(DOLLARS IN MILLIONS)
TOTAL PROGRAM SUMMARY

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	VARIABILITY TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2007										
Approved	605.362	134.345	141.927	146.615	32.400	0.000	179.015	10.034	189.049	7.380
Request	799.320	113.989	126.401	131.059	2.387	0.002	133.448	0.000	133.448	10.462
Delta	193.958	(20.356)	(15.526)	(15.556)	(30.013)	0.002	(45.567)	(10.034)	(55.601)	3.082
FY 2008										
Approved	593.106	135.937	138.478	132.479	0.000	0.000	132.479	10.000	142.479	7.011
Request	852.433	142.709	140.420	114.798	30.000	0.000	144.798	35.000	179.798	7.111
Delta	259.327	6.772	1.942	(17.681)	30.000	0.000	12.319	25.000	37.319	0.100
FY 2009										
Approved	582.350	137.303	138.335	125.230	0.000	0.000	125.230	10.000	135.230	6.661
Request	807.615	136.164	138.680	123.740	0.000	0.000	123.740	35.000	158.740	6.761
Delta	225.265	(1.139)	0.345	(1.490)	0.000	0.000	(1.490)	25.000	23.510	0.100

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
Fiscal Year (FY) 2009 Budget Estimate
(DOLLARS IN MILLIONS)
FY 2007

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	VARIABILITY TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
BP 21										
Approved	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Request	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Delta	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BP 28										
Approved	144.885	54.937	59.434	58.595	12.400	70.995	70.995	5.000	75.995	0.000
Request	194.053	46.366	55.173	54.228	0.399	54.629	54.629	0.000	54.629	0.057
Delta	49.168	(8.571)	(4.261)	(4.367)	(12.001)	(16.366)	(16.366)	(5.000)	(21.366)	0.057
BP 38										
Approved	0.823	24.530	24.530	24.505	0.000	24.505	24.505	0.000	24.505	0.000
Request	0.757	9.877	9.877	8.896	0.000	8.896	8.896	0.000	8.896	0.000
Delta	(0.066)	(14.653)	(14.653)	(15.609)	0.000	(15.609)	(15.609)	0.000	(15.609)	0.000
BP 84										
Approved	459.654	54.878	57.963	50.679	20.000	70.679	70.679	5.034	75.713	7.380
Request	604.510	57.746	61.351	55.390	1.988	57.378	57.378	0.000	57.378	10.405
Delta	144.856	2.868	3.388	4.711	(18.012)	(13.301)	(13.301)	(5.034)	(18.335)	3.025
			*REPAIR ----->	18.083						
BP 91										
Approved	0.000	0.000	0.000	12.836	0.000	12.836	12.836	0.000	12.836	0.000
Request	0.000	0.000	0.000	12.545	0.000	12.545	12.545	0.000	12.545	0.000
Delta	0.000	0.000	0.000	(0.291)	0.000	(0.291)	(0.291)	0.000	(0.291)	0.000
TOTAL										
Approved	605.362	134.345	141.927	146.615	32.400	179.015	179.015	10.034	189.049	7.380
Request	799.320	113.989	126.401	131.059	2.387	133.448	133.448	0.000	133.448	10.462
Delta	193.958	(20.356)	(15.526)	(15.556)	(30.013)	(45.567)	(45.567)	(10.034)	(55.601)	3.082

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
Fiscal Year (FY) 2009 Budget Estimate
(DOLLARS IN MILLIONS)
FY 2008

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	VARIABILITY TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
BP 21										
Approved	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Request	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Delta	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BP 28										
Approved	139.426	56.916	58.310	54.970	0.000	0.000	54.970	5.000	59.970	0.000
Request	190.715	56.315	53.389	49.101	12.000	0.000	61.101	20.000	81.101	0.100
Delta	51.289	(0.601)	(4.911)	(5.869)	12.000	0.000	6.131	15.000	21.131	0.100
BP 38										
Approved	0.178	17.903	17.903	17.878	0.000	0.000	17.878	0.000	17.878	0.000
Request	0.838	16.435	16.435	16.346	0.000	0.000	16.346	0.000	16.346	0.000
Delta	0.660	(1.468)	(1.468)	(1.532)	0.000	0.000	(1.532)	0.000	(1.532)	0.000
BP 84										
Approved	453.502	61.118	62.265	46.854	0.000	0.000	46.854	5.000	51.854	7.011
Request	660.880	69.959	70.586	36.682	18.000	0.000	54.682	15.000	69.682	7.011
Delta	207.378	8.841	8.321	(10.172)	18.000	0.000	7.828	10.000	17.828	0.000
			*REPAIR ----->	14.175						
BP 91										
Approved	0.000	0.000	0.000	12.777	0.000	0.000	12.777	0.000	12.777	0.000
Request	0.000	0.000	0.000	12.669	0.000	0.000	12.669	0.000	12.669	0.000
Delta	0.000	0.000	0.000	(0.108)	0.000	0.000	(0.108)	0.000	(0.108)	0.000
TOTAL										
Approved	593.106	135.937	138.478	132.479	0.000	0.000	132.479	10.000	142.479	7.011
Request	852.433	142.709	140.420	114.798	30.000	0.000	144.798	35.000	179.798	7.111
Delta	259.327	6.772	1.942	(17.681)	30.000	0.000	12.319	25.000	37.319	0.100

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
Fiscal Year (FY) 2009 Budget Estimate
(DOLLARS IN MILLIONS)
FY 2009

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	VARIABILITY TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
BP 21										
Approved	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Request	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Delta	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BP 28										
Approved	134.771	55.671	55.671	51.428	0.000	0.000	51.428	5.000	56.428	0.000
Request	189.783	51.118	52.602	47.865	0.000	0.000	47.865	20.000	67.865	0.100
Delta	55.012	(4.553)	(3.069)	(3.563)	0.000	0.000	(3.563)	15.000	11.437	0.100
BP 38										
Approved	0.178	18.382	18.382	18.357	0.000	0.000	18.357	0.000	18.357	0.000
Request	0.761	15.817	15.817	15.732	0.000	0.000	15.732	0.000	15.732	0.000
Delta	0.583	(2.565)	(2.565)	(2.625)	0.000	0.000	(2.625)	0.000	(2.625)	0.000
BP 84										
Approved	447.401	63.250	64.282	42.340	0.000	0.000	42.340	5.000	47.340	6.661
Request	617.071	69.229	70.261	47.261	0.000	0.000	47.261	15.000	62.261	6.661
Delta	169.670	5.979	5.979	4.921	0.000	0.000	4.921	10.000	14.921	0.000
			*REPAIR ----->	13.303						
BP 91										
Approved	0.000	0.000	0.000	13.105	0.000	0.000	13.105	0.000	13.105	0.000
Request	0.000	0.000	0.000	12.882	0.000	0.000	12.882	0.000	12.882	0.000
Delta	0.000	0.000	0.000	(0.223)	0.000	0.000	(0.223)	0.000	(0.223)	0.000
TOTAL										
Approved	582.350	137.303	138.335	125.230	0.000	0.000	125.230	10.000	135.230	6.661
Request	807.615	136.164	138.680	123.740	0.000	0.000	123.740	35.000	158.740	6.761
Delta	225.265	(1.139)	0.345	(1.490)	0.000	0.000	(1.490)	25.000	23.510	0.100

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NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
BY WEAPON SYSTEM/CATEGORY
RETAIL CENTRALLY MANAGED
Fiscal Year (FY) 2009 Budget Estimates
FY2007
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS BP 28	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
Light Weight (LTWT) 155 HOWITZER		1.155			1.155
					0.000
BASIC REPLEN/BASIC REWORK	4.033				4.033
TOTAL AUTOMOTIVE	4.033	1.155	0.000	0.000	5.188
					0.000
BASIC REPLEN/BASIC REWORK					0.000
TOTAL COMMUNICATION AND ELECTRONICS	0.000	0.000	0.000	0.000	0.000
REPAIR & TEST EQUIPMENT		0.585			0.585
					0.000
BASIC REPLEN/BASIC REWORK	2.740				2.740
TOTAL GUIDED MISSILES AND EQUIPMENT	2.740	0.585	0.000	0.000	3.325
					0.000
BASIC REPLEN/BASIC REWORK	0.000				0.000
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	0.000	0.000	0.000	0.000	0.000
					0.000
BASIC REPLEN/BASIC REWORK	5.194				5.194
TOTAL GENERAL PROPERTY	5.194	0.000	0.000	0.000	5.194
TOTAL PROCUREMENT	11.967	1.740	0.000	0.000	13.707
WAR RESERVE			0.399		0.399
TOTAL COST	11.967	1.740	0.399	0.000	14.106

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NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
BY WEAPON SYSTEM/CATEGORY
RETAIL CENTRALLY MANAGED

**Fiscal Year (FY) 2009 Budget Estimates
FY2008**

(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS BP 28	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
Light Weight (LTWT) 155 HOWITZER		0.500			0.500
BASIC REPLEN/BASIC REWORK	1.725				0.000
TOTAL ORDNANCE TANK AUTOMOTIVE	1.725	0.500	0.000	0.000	1.725
					2.225
BASIC REPLEN/BASIC REWORK	0.000				0.000
TOTAL GUIDED MISSILES AND EQUIPMENT	0.000	0.000	0.000	0.000	0.000
TRSS-PIP		0.108			0.108
BASIC REPLEN/BASIC REWORK	1.425				0.000
TOTAL COMMUNICATION AND ELECTRONICS	1.425	0.108	0.000	0.000	1.425
					1.533
BASIC REPLEN/BASIC REWORK	0.000				0.000
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	0.000	0.000	0.000	0.000	0.000
BASIC REPLEN/BASIC REWORK	6.900				0.000
TOTAL GENERAL PROPERTY	6.900	0.000	0.000	0.000	6.900
					6.900
TOTAL PROCUREMENT	10.050	0.608	0.000	0.000	10.658
WAR RESERVE			12.000		12.000
TOTAL COST	10.050	0.608	12.000	0.000	22.658

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NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
BY WEAPON SYSTEM/CATEGORY
RETAIL CENTRALLY MANAGED

**Fiscal Year (FY) 2009 Budget Estimates
FY2009**

(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS BP 28	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
BASIC REPLEN/BASIC REWORK	1.700				0.000
TOTAL ORDNANCE TANK AUTOMOTIVE	1.700	0.000	0.000	0.000	0.000
BASIC REPLEN/BASIC REWORK	0.000				0.000
TOTAL GUIDED MISSILES AND EQUIPMENT	0.000	0.000	0.000	0.000	0.000
BASIC REPLEN/BASIC REWORK	0.124				0.000
TOTAL COMMUNICATION AND ELECTRONICS	0.124	0.000	0.000	0.000	0.000
BASIC REPLEN/BASIC REWORK	0.248				0.000
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	0.248	0.000	0.000	0.000	0.000
BASIC REPLEN/BASIC REWORK	7.483				0.000
TOTAL GENERAL PROPERTY	7.483	0.000	0.000	0.000	0.000
TOTAL PROCUREMENT	9.555	0.000	0.000	0.000	0.000
WAR RESERVE					0.000
TOTAL COST	9.555	0.000	0.000	0.000	0.000

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February 2008

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
BY WEAPON SYSTEM/CATEGORY
DEPOT LEVEL REPARABLES
Fiscal Year (FY) 2009 Budget Estimates
FY 2007
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
LIGHT WEIGHT 155 HOWITZER		2.480			2.480
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	16.230			12.349	28.579
TOTAL ORDNANCE TANK AUTOMOTIVE	16.230	2.480	0.000	12.349	31.059
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	0.000				0.000
TOTAL GUIDED MISSILES AND EQUIPMENT	0.000	0.000	0.000	0.000	0.000
					0.000
REPAIR AND TEST EQUIPMENT		0.786			0.786
					0.000
BASIC REPLEN/BASIC REWORK	14.998			5.565	20.563
TOTAL COMMUNICATION AND ELECTRONICS	14.998	0.786	0.000	5.565	21.349
					0.000
BASIC REPLEN/BASIC REWORK	2.813			0.169	2.982
TOTAL ENGINEER SUPPORT AND CONSTRU	2.813	0.000	0.000	0.169	2.982
					0.000
BASIC REPLEN/BASIC REWORK	0.000	0.000	0.000	0.000	0.000
TOTAL GENERAL PROPERTY					0.000
TOTAL PROCUREMENT	34.041	3.266	0.000	18.083	55.390
War Reserve			1.988		1.988
TOTAL COST	34.041	3.266	1.988	18.083	57.378

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February 2008

**NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
BY WEAPON SYSTEM/CATEGORY
DEPOT LEVEL REPARABLES
Fiscal Year (FY) 2009 Budget Estimates
FY2008
(DOLLARS IN MILLIONS)**

WEAPON SYSTEM	BASIC REPLEN	OUTFITS	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
LIGHT WEIGHT 155 HOWITZER		0.900			0.900
BASIC REPLEN/BASIC REWORK	10.391			7.094	17.485
TOTAL ORDNANCE TANK AUTOMOTIVE	10.391	0.900	0.000	7.094	18.385
BASIC REPLEN/BASIC REWORK	0.000			0.043	0.043
TOTAL GUIDED MISSILES AND EQUIPMENT	0.000	0.000	0.000	0.043	0.043
TACTICAL REMOTE SENSOR SYSTEM (TRSS)		0.570			0.570
REPAIR & TEST EQUIPMENT		0.401			0.401
COMPOSITE TRACKING NETWORK		1.014			1.014
					0.000
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	6.680			6.743	13.423
TOTAL COMMUNICATION AND ELECTRONICS	6.680	1.985	0.000	6.743	15.408
BASIC REPLEN/BASIC REWORK	2.551			0.206	2.757
TOTAL ENGINEER SUPPORT AND CONSTRU	2.551	0.000	0.000	0.206	2.757
BASIC REPLEN/BASIC REWORK				0.089	0.089
TOTAL GENERAL PROPERTY	0.000	0.000	0.000	0.089	0.089
TOTAL PROCUREMENT	19.622	2.885	0.000	14.175	36.682
WAR RESERVE			18.000		18.000
TOTAL COST	19.622	2.885	18.000	14.175	54.682

NAVY WORKING CAPITAL FUND
Fiscal Year (FY) 2009 President's Budget
INVENTORY STATUS
SUMMARY
(DOLLARS IN MILLIONS)
FY 2007

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ----	
			<u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	705.970	39.124	352.939	313.907
2. BOP INVENTORY ADJUSTMENTS	(56.352)	(0.163)	(24.364)	(31.825)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	(56.352)	(0.163)	(24.364)	(31.825)
C. INVENTORY RECLASSIFIED AND REPRICED	649.618	38.961	328.575	282.082
3. RECEIPTS AT STANDARD	110.643	3.277	107.366	0.000
4. SALES AT STANDARD	152.951	0.000	152.951	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	59.893	43.563	19.285	(2.955)
B. RETURNS FROM CUSTOMERS FOR CREDIT +	10.462	0.000	10.462	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	230.593	0.000	20.689	209.904
D. RETURNS TO SUPPLIERS (-)	(9.539)	0.000	(0.006)	(9.533)
E. TRANSFERS TO PROP. DISPOSAL (-)	(39.935)	(0.591)	(0.495)	(38.849)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(7.131)	(1.714)	(4.196)	(1.221)
G. OTHER (list/explain)	27.863	(3.300)	29.790	1.373
H. TOTAL ADJUSTMENTS	272.206	37.958	75.529	158.719
6. INVENTORY EOP	879.516	80.196	358.519	440.801
7. INVENTORY EOP, REVALUED	762.593	72.116	311.378	379.099
A. ECONOMIC RETENTION (memo)				33.907
B. CONTINGENCY RETENTION (memo)				134.789
C. POTENTIAL DOD EXCESS (memo)				197.812
8. INVENTORY ON ORDER EOP (memo)	74.464	3.075	67.504	3.885
9. NARRATIVE:				

Other adjustments (line 5g):

	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	27.863	(3.300)	29.790	1.373
K3 Adjust	0.000	0.000	0.000	0.000
SIT Change	0.000	0.000	0.000	0.000
Strata Transfers	0.000	0.000	0.000	0.000
	----	----	----	----
Total	27.863	(3.300)	29.790	1.373

NAVY WORKING CAPITAL FUND
Fiscal Year (FY) 2009 President's Budget
INVENTORY STATUS
SUMMARY
(DOLLARS IN MILLIONS)
FY 2008

	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
			---- Peacetime ----	
1. INVENTORY BOP	879.516	80.196	358.519	440.801
2. BOP INVENTORY ADJUSTMENTS	92.950	3.948	45.252	43.750
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	92.950	3.948	45.252	43.750
C. INVENTORY RECLASSIFIED AND REPRICED	972.466	84.144	403.771	484.551
3. RECEIPTS AT STANDARD	98.334	1.840	96.494	0.000
4. SALES AT STANDARD	160.617	0.000	160.617	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	(3.392)	0.000	(3.392)	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT +	7.111	0.000	7.111	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	94.405	0.000	23.545	70.860
D. RETURNS TO SUPPLIERS (-)	(26.186)	0.000	(0.200)	(25.986)
E. TRANSFERS TO PROP. DISPOSAL (-)	(34.398)	0.000	(0.075)	(34.323)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(7.271)	0.000	(4.048)	(3.223)
G. OTHER (list/explain)	(2.035)	0.000	(0.035)	(2.000)
H. TOTAL ADJUSTMENTS	28.234	0.000	22.906	5.328
6. INVENTORY EOP	938.417	85.984	362.554	489.879
7. INVENTORY EOP, REVALUED	812.545	77.138	314.422	420.985
A. ECONOMIC RETENTION (memo)				37.060
B. CONTINGENCY RETENTION (memo)				149.943
C. POTENTIAL DOD EXCESS (memo)				221.391
8. INVENTORY ON ORDER EOP (memo)	125.119	30.832	90.327	3.960
9. NARRATIVE:				
Other adjustments (line 5g):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(2.035)	0.000	(0.035)	(2.000)
K3 Adjust	0.000	0.000	0.000	0.000
SIT Change	0.000	0.000	0.000	0.000
Strata Transfers	0.000	0.000	0.000	0.000
	----	----	----	----
Total	(2.035)	0.000	(0.035)	(2.000)

NAVY WORKING CAPITAL FUND
Fiscal Year (FY) 2009 President's Budget
INVENTORY STATUS
SUMMARY
(DOLLARS IN MILLIONS)
FY 2009

	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
			---- Peacetime ----	
1. INVENTORY BOP	938.417	85.984	362.554	489.879
2. BOP INVENTORY ADJUSTMENTS	7.098	1.808	3.778	1.512
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	7.098	1.808	3.778	1.512
C. INVENTORY RECLASSIFIED AND REPRICED	945.515	87.792	366.332	491.391
3. RECEIPTS AT STANDARD	98.427	2.000	96.427	0.000
4. SALES AT STANDARD	158.592	0.000	158.592	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	(0.078)	0.000	(0.078)	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT +	6.761	0.000	6.761	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	84.839	0.000	19.038	65.801
D. RETURNS TO SUPPLIERS (-)	(26.962)	0.000	(0.200)	(26.762)
E. TRANSFERS TO PROP. DISPOSAL (-)	(35.337)	0.000	(0.050)	(35.287)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(10.003)	0.000	(6.126)	(3.877)
G. OTHER (list/explain)	(7.163)	0.000	(8.079)	0.916
H. TOTAL ADJUSTMENTS	12.057	0.000	11.266	0.791
6. INVENTORY EOP	897.407	89.792	315.433	492.182
7. INVENTORY EOP, REVALUED	777.741	80.477	274.072	423.192
A. ECONOMIC RETENTION (memo)				37.991
B. CONTINGENCY RETENTION (memo)				151.006
C. POTENTIAL DOD EXCESS (memo)				221.603
8. INVENTORY ON ORDER EOP (memo)	125.617	26.832	94.825	3.960
9. NARRATIVE:				

Other adjustments (line 5f):

	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(7.163)	0.000	(8.079)	0.916
K3 Adjust	0.000	0.000	0.000	0.000
SIT Change	0.000	0.000	0.000	0.000
Strata Transfers	0.000	0.000	0.000	0.000
	----	----	----	----
Total	(7.163)	0.000	(8.079)	0.916

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
Fiscal Year (FY) 2009 Budget Estimates
WHOLESALE ONLY (BP 84 MC MANAGED)
CUSTOMER PRICE CHANGE
(DOLLARS IN MILLIONS)

COMPOSITE (BP 84)

	FY 2007	FY 2008	FY 2009
1. NET SALES AT COST	61.200	58.527	58.813
2. LESS: MAT'L INFLATION ADJ.	0.500	1.405	1.174
3. REVISED NET SALES	60.700	57.122	57.639
4. SURCHARGE (\$)	0.989	10.399	14.524
5. CHANGE TO CUSTOMERS			
a. PREVIOUS YEAR'S SURCHARGE (%)	17.74%	1.62%	17.77%
b. THIS YEAR'S SURCHARGE AND MATERIAL INFLATION DIVIDED BY LINE 3 ABOVE (\$)	2.46%	20.66%	27.24%
c. PERCENT CHANGE TO CUSTOMER	-12.98%	18.71%	8.04%

**WAR RESERVE MATERIAL (WRM)
STOCKPILE
Fiscal Year (FY) 2009 Budget Estimates
FY2007
(DOLLARS IN MILLIONS)**

STOCKPILE STATUS

	TOTAL	WRM PROTECTED	WRM OTHER
1. INVENTORY BOP @ STD	39.124	39.124	0.000
2. PRICE CHANGE	(0.163)	(0.163)	0.000
3. RECLASSIFICATION	38.961	38.961	0.000
INVENTORY CHANGES			
a. RECEIPTS @ STD	3.277	3.277	0.000
(1) PURCHASES	3.277	3.277	0.000
(2) RETURNS FROM CUSTOMERS	0.000	0.000	0.000
b. ISSUES @ STD	(0.591)	(0.591)	0.000
(1) SALES	0.000	0.000	0.000
(2) RETURNS TO SUPPLIERS	0.000	0.000	0.000
(3) DISPOSALS	(0.591)	(0.591)	0.000
c. ADJUSTMENTS @ STD	38.549	38.549	0.000
(1) CAPITALIZATIONS	43.563	43.563	0.000
(2) GAINS AND LOSSES	0.000	0.000	0.000
(3) OTHER	(5.014)	(5.014)	0.000
INVENTORY EOP	80.196	80.196	0.000

STOCKPILE COSTS

1. STORAGE	0.000	0.000	0.000
2. MANAGEMENT	0.000	0.000	0.000
3. MAINTENANCE/OTHER	0.000	0.000	0.000
TOTAL COST	0.000	0.000	0.000

WRM BUDGET REQUEST

1. OBLIGATIONS @ COST			
a. ADDITIONAL WRM INVESTMENT	0.000	0.000	0.000
b. REPLEN/REPAIR WRM REINVEST	2.387	2.387	0.000
c. STOCK ROTATION/OBSOLESCENCE	0.000	0.000	0.000
d. ASSEMBLE/DISASSEMBLE	0.000	0.000	0.000
e. OTHER	0.000	0.000	0.000
TOTAL REQUEST	2.387	2.387	0.000

**WAR RESERVE MATERIAL (WRM)
STOCKPILE
Fiscal Year (FY) 2009 Budget Estimates
FY2008
(DOLLARS IN MILLIONS)**

STOCKPILE STATUS

	TOTAL	WRM PROTECTED	WRM OTHER
1. INVENTORY BOP @ STD	80.196	80.196	0.000
2. PRICE CHANGE	3.948	3.948	0.000
3. RECLASSIFICATION	84.144	84.144	0.000
INVENTORY CHANGES			
a. RECEIPTS @ STD	1.840	1.840	0.000
(1) PURCHASES	1.840	1.840	0.000
(2) RETURNS FROM CUSTOMERS	0.000	0.000	0.000
b. ISSUES @ STD	0.000	0.000	0.000
(1) SALES	0.000	0.000	0.000
(2) RETURNS TO SUPPLIERS	0.000	0.000	0.000
(3) DISPOSALS	0.000	0.000	0.000
c. ADJUSTMENTS @ STD	0.000	0.000	0.000
(1) CAPITALIZATIONS	0.000	0.000	0.000
(2) GAINS AND LOSSES	0.000	0.000	0.000
(3) OTHER	0.000	0.000	0.000
INVENTORY EOP	85.984	85.984	0.000

STOCKPILE COSTS

1. STORAGE	0.000	0.000	0.000
2. MANAGEMENT	0.000	0.000	0.000
3. MAINTENANCE/OTHER	0.000	0.000	0.000
TOTAL COST	0.000	0.000	0.000

WRM BUDGET REQUEST

1. OBLIGATIONS @ COST			
a. ADDITIONAL WRM INVESTMENT	0.000	0.000	0.000
b. REPLEN/REPAIR WRM REINVEST	30.000	30.000	0.000
c. STOCK ROTATION/OBSOLESCENCE	0.000	0.000	0.000
d. ASSEMBLE/DISASSEMBLE	0.000	0.000	0.000
e. OTHER	0.000	0.000	0.000
TOTAL REQUEST	30.000	30.000	0.000

**WAR RESERVE MATERIAL (WRM)
STOCKPILE
Fiscal Year (FY) 2009 Budget Estimates
FY2009
(DOLLARS IN MILLIONS)**

STOCKPILE STATUS

	TOTAL	WRM PROTECTED	WRM OTHER
1. INVENTORY BOP @ STD	85.984	85.984	0.000
2. PRICE CHANGE	1.808	1.808	0.000
3. RECLASSIFICATION	87.792	87.792	0.000
INVENTORY CHANGES			
a. RECEIPTS @ STD	2.000	2.000	0.000
(1) PURCHASES	2.000	2.000	0.000
(2) RETURNS FROM CUSTOMERS	0.000	0.000	0.000
b. ISSUES @ STD	0.000	0.000	0.000
(1) SALES	0.000	0.000	0.000
(2) RETURNS TO SUPPLIERS	0.000	0.000	0.000
(3) DISPOSALS	0.000	0.000	0.000
c. ADJUSTMENTS @ STD	0.000	0.000	0.000
(1) CAPITALIZATIONS	0.000	0.000	0.000
(2) GAINS AND LOSSES	0.000	0.000	0.000
(3) OTHER	0.000	0.000	0.000
INVENTORY EOP	89.792	89.792	0.000

STOCKPILE COSTS

1. STORAGE	0.000	0.000	0.000
2. MANAGEMENT	0.000	0.000	0.000
3. MAINTENANCE/OTHER	0.000	0.000	0.000
TOTAL COST	0.000	0.000	0.000

WRM BUDGET REQUEST

1. OBLIGATIONS @ COST			
a. ADDITIONAL WRM INVESTMENT	0.000	0.000	0.000
b. REPLEN/REPAIR WRM REINVEST	0.000	0.000	0.000
c. STOCK ROTATION/OBSOLESCENCE	0.000	0.000	0.000
d. ASSEMBLE/DISASSEMBLE	0.000	0.000	0.000
e. OTHER	0.000	0.000	0.000
TOTAL REQUEST	0.000	0.000	0.000

FUND-9A		ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY MARINE CORPS SUPPLY MANAGEMENT ACTIVITY GROUP Fiscal Year (FY) 2009 Budget Estimates		February 2008		FY 2007		FY 2008		FY 2009	
						Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
		Item Description									
1a		Non-ADP Equipment Subtotal Equipment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
1b		Non-ADP Equipment Subtotal Equipment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2a		Minor Construction Subtotal Minor Const	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3a		ADP Equipment Subtotal ADP Equipment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3b		ADP Equipment Subtotal ADP Equipment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4a		Telecommunications Equip Subtotal Telecomm Equip	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4b		Off the Shelf Software Subtotal Off the Shelf	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
6c		Central Design Activity Subtotal CDA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		GRAND TOTAL CAPITAL PURCHASE PROGRAM	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

(DOLLARS IN MILLIONS)

FUND-9B

February 2008

MARINE CORPS SUPPLY MANAGEMENT ACTIVITY GROUP																				
Fiscal Year (FY) 2009 Budget Estimates																				
CAPITAL INVESTMENT JUSTIFICATION																				
(DOLLARS IN THOUSANDS)																				
B. Marine Corps Supply Management	C. Line No.	D. MC Supply			FY 2007			FY 2008			FY 2009									
		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost							
Element of Cost																				
N/A																				
TOTAL				0.0																0.0

Narrative Justification:

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT GROUP
 Fiscal Year (FY) 2009 President's Budget
 FY 2007
 (DOLLARS IN MILLIONS)

<u>FY 2007</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/Deficiency</u>
	Equipment except ADPE and TELECOM				
	Subtotal Equipment	0.000	0.000	0.000	0.000
	Equipment - ADPE and TELECOM				
	Subtotal ADPE/TelCom	0.000	0.000	0.000	0.000
	Software Development				
	Subtotal Software	0.000	0.000	0.000	0.000
	Minor Construction				
	Subtotal Minor Construction	0.000	0.000	0.000	0.000
	Total CY	0.000	0.000	0.000	0.000

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT GROUP
 Fiscal Year (FY) 2009 President's Budget
 FY 2008
 (DOLLARS IN MILLIONS)

<u>FY 2008</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/Deficiency</u>
	Equipment except ADPE and TELECOM				
	Subtotal Equipment	0.000	0.000	0.000	0.000
	Equipment - ADPE and TELECOM				
	Subtotal ADPE/TelCom	0.000	0.000	0.000	0.000
	Software Development				
	Subtotal Software	0.000	0.000	0.000	0.000
	Minor Construction				
	Subtotal Minor Construction	0.000	0.000	0.000	0.000
	Total CY	0.000	0.000	0.000	0.000

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT GROUP
 Fiscal Year (FY) 2009 Budget Estimates
FY 2009
(DOLLARS IN MILLIONS)

<u>FY 2009</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/Deficiency</u>
	Equipment except ADPE and TELECOM				
	Subtotal Equipment	0.000	0.000	0.000	0.000
	Equipment - ADPE and TELECOM				
	Subtotal ADPE/TelCom	0.000	0.000	0.000	0.000
	Software Development				
	Subtotal Software	0.000	0.000	0.000	0.000
	Minor Construction				
	Subtotal Minor Construction	0.000	0.000	0.000	0.000
	Total BY1	0.000	0.000	0.000	0.000

SOURCE OF REVENUE
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
Fiscal Year (FY) 2009 Budget Estimates
PROGRAM SUMMARY
(DOLLARS IN MILLIONS)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.000	0.000	0.000
O & M, M.C.	92.407	108.362	104.341
O & M, M.C. Reserve	1.772	1.589	1.566
Reserve Personnel, M.C.	0.000	0.000	0.000
Procurement, M.C.	1.975	6.014	5.164
Other Services (O&M)			
Army	4.845	6.106	6.371
Air Force	0.613	1.041	1.028
Navy	1.835	2.828	2.809
All Other DOD	0.247	0.205	0.195
Subtotal	103.693	126.145	121.474
1b. Orders from other Fund Business Areas:			
Navy Supply Management	0.081	0.125	0.125
M.C. Depot Maintenance	15.639	16.970	14.764
Subtotal	15.720	17.095	14.889
1c. Total DoD	119.413	143.240	136.363
1d. Other Orders:			
Other Federal Agencies	0.945	0.963	0.947
Foreign Military Sales	3.088	4.890	4.890
Non Federal Agencies	1.005	0.727	0.725
Subtotal	5.038	6.580	6.562
1. Total New Orders	124.451	149.820	142.925
2. Carry-In Orders	26.036	13.624	15.913
3. Total Gross Orders:	150.487	163.444	158.838
4. Funded Carry-over:	13.624	15.913	13.397
5. Total Gross Sales:	136.863	147.531	145.441

NAVY WORKING CAPITAL FUND
 SUPPLY MANAGEMENT - MARINE CORPS
 Fiscal Year (FY) 2009 Budget Estimates
 REVENUE AND EXPENSES
 SUMMARY
 (DOLLARS IN MILLIONS)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Revenue			
Operations (Gross Sales)	136.864	147.531	145.441
Capital Surcharge	0.000	0.000	0.000
Depreciation except Maj Const	0.000	0.000	0.000
Major Construction Depreciation	0.000	0.000	0.000
Other Income	38.398	0.000	0.000
Refunds/Discounts	(10.463)	(7.111)	(6.761)
Total Income:	164.799	140.420	138.680
Expenses			
Cost of Materiel Sold from Inventory	123.755	128.761	121.784
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel & Compensation & Benefits	1.902	1.920	1.935
Travel & Transportation of Personnel	0.019	0.100	0.100
Materials & Supplies (For internal Operations)	0.000	0.000	0.000
Mobilization	0.000	0.000	0.000
Other Purchases from Revolving Funds	8.173	8.061	8.261
Transportation of Things	0.077	0.100	0.100
Depreciation - Capital	0.000	0.000	0.000
Printing and Reproduction	0.000	0.000	0.000
Advisory and Assistance Services	0.000	0.000	0.000
Rent, Communication, Utilities, & Misc. Charges	0.000	0.000	0.000
Other Purchased Services	2.374	2.488	2.486
Total Expenses:	136.300	141.430	134.666
Operating Result:	28.499	(1.010)	4.014
Less Capital Surcharge Reservation	0.000	0.000	0.000
Plus Appropriations Affecting NOR/AOR - <i>WRM</i>	(38.398)	0.000	0.000
Other Changes Affecting NOR/AOR	0.000	0.000	0.000
Navy Cash Recovery	0.000	0.000	0.000
Net Operating Result:	(9.899)	(1.010)	4.014
Other Changes Affecting AOR			
Prior Year AOR	6.895	(3.004)	(4.014)
AOR Redistribution	0.000	0.000	0.000
Cash Factor	0.000	0.000	0.000
Accumulated Operating Result:	(3.004)	(4.014)	(0.000)

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - MARINE CORPS
Fiscal Year (FY) 2009 Budget Estimates
FUEL DATA**

	FY 2007 Estimate		FY 2008 Estimate		FY 2009 Estimate	
	BBLs	Unit Cost \$000,000	BBLs	Unit Cost \$000,000	BBLs	Unit Cost \$000,000
Depots						
Aircraft Ops						
AVGAS (CONUS)	0.000	0.000	0.000	0.000	0.000	0.000
MOGAS: Unleaded-Mid	0.000	0.000	0.000	0.000	0.000	0.000
JP-4 Milspec	0.000	0.000	0.000	0.000	0.000	0.000
JP-5	0.000	0.000	0.000	0.000	0.000	0.000
JP-8	0.000	0.000	0.000	0.000	0.000	0.000
Distillates	0.000	0.000	0.000	0.000	0.000	0.000
Residuals	0.000	0.000	0.000	0.000	0.000	0.000
Diesel	0.000	0.000	0.000	0.000	0.000	0.000
Total Air Ops	0.000	0.000	0.000	0.000	0.000	0.000
Other						
AVGAS (CONUS)	0.000	0.000	0.000	0.000	0.000	0.000
MOGAS: Leaded	0.000	0.000	0.000	0.000	0.000	0.000
MOGAS: Unleaded-Mid	0.000	0.000	0.000	0.000	0.000	0.000
JP-5	0.000	0.000	0.000	0.000	0.000	0.000
JP-8	0.000	0.000	0.000	0.000	0.000	0.000
Distillates	0.000	0.000	0.000	0.000	0.000	0.000
Residuals	0.000	0.000	0.000	0.000	0.000	0.000
Gasohol	0.000	0.000	0.000	0.000	0.000	0.000
Reclaimed	0.000	0.000	0.000	0.000	0.000	0.000
Diesel	0.000	0.000	0.000	0.000	0.000	0.000
Total Other	0.000	0.000	0.000	0.000	0.000	0.000
Ship Ops						
MOGAS: Unleaded - Mid	0.000	0.000	0.000	0.000	0.000	0.000
JP-5	0.000	0.000	0.000	0.000	0.000	0.000
Distillates	0.000	0.000	0.000	0.000	0.000	0.000
Residuals	0.000	0.000	0.000	0.000	0.000	0.000
Reclaimed	0.000	0.000	0.000	0.000	0.000	0.000
Diesel	0.000	0.000	0.000	0.000	0.000	0.000
Total Ship Ops	0.000	0.000	0.000	0.000	0.000	0.000
Vehicle Ops						
AVGAS: (CONUS)	0.000	0.000	0.000	0.000	0.000	0.000
Unleaded - Regular	17.914	1,467.144	17.106	124.740	15.455	112.980
MOGAS: Unleaded-Mid	0.000	0.000	0.000	0.000	0.000	0.000
JP-5	0.000	0.000	0.000	0.000	0.000	0.000
JP-8	19.620	1,648.080	19.583	127.680	18.664	115.500
Distillates	47.224	3,946.984	70.927	127.260	80.496	115.080
Gasohol	0.000	0.000	0.000	0.000	0.000	0.000
(Ethanol) Reclaimed	0.000	0.000	0.000	0.000	0.000	0.000
*Bio-Diesel	15.942	1,506.519	14.777	124.740	14.691	112.980
Propane	1.313	115.286	3.830	87.780	3.457	87.780
Diesel	2.585	211.712	4.054	124.740	5.341	112.980
Total Vehicle Ops	104.598	8,895.724	130.277	16,345.532	138.105	15,732.023
Total	104.598	8,895.724	130.277	16,345.532	138.105	15,732.023