DEFENSE WORKING CAPITAL FUND

DEFENSE-WIDE
FISCAL YEAR (FY) FY 2006/2007
BUDGET ESTIMATES

OPERATING AND CAPITAL BUDGETS

FEBRUARY 2005
CONGRESSIONAL DATA

DEPARTMENT OF DEFENSE
FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES
DEFENSE-WIDE WORKING CAPITAL FUND

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DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES

DEFENSE-WIDE SUMMARY

Defense Agencies operated nine activity groups within the Defense-Wide Working Capital Fund (DWWCF) during FY 2004 and will operate eight activity groups by the end of FY 2005. The Defense Logistics Agency (DLA) operates four activity groups while the Defense Finance and Accounting Service (DFAS) and the Defense Information Systems Agency (DISA) each operate two activity groups. The Defense Security Service (DSS) will operate as a DWCF entity in FY 2005 but will transfer workload and funding to the Office of Personnel Management.

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

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

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

DSS, formerly known as the Defense Investigative Service, was formed in 1972. The mission of DSS is to administer the Personnel Security Investigations (PSI) program and the National Industrial Security Program (NISP) for the Department. DSS is also responsible for security education and training. The mission of the PSI program is to conduct background investigations on individuals assigned to or

affiliated with the Defense Department. The purpose of the NISP program is to ensure that private industry properly safeguards classified information in its possession while performing government contracts

DEFENSE-WIDE WORKING CAPITAL FUND CASH

The Defense-Wide Working Capital Fund (DWWCF) includes the four activity groups of the Defense Logistics Agency's Defense Working Capital Fund, the Defense Finance and Accounting Service (DFAS), two of he Defense Information Systems Agency (DISA), and the Defense Security Service (DSS). Starting in FY 2006, DSS will no longer be an activity of the DWWCF, as their security clearance workload is being absorbed by the Office of Personnel Management (OPM). The remaining DSS is funded in the Operation and Maintenance appropriations. The chart below displays the actual DWWCF cash balance at the end of FY 2004 and balances projected for year-end through FY 2007.

Dollars in Millions	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Beginning of Period, Cash	**1,526.5**	**1,974.5**	**762.7**	**771.5**
Disbursements	35,674.2	36,996.0	35,285.9	33,959.1
Collections	33,882.5	34,921.2	35,210.4	33,907.1
Net Outlays	1,791.7	2,074.8	75.5	52.0
Appropriation	2,280.5	1246.3	84.3	38.9
Transfers	-40.8	-40.0	-	-
Army Rebate	-	-12.0	-	-
Technical Adjustments	-	-331.3	-	-
Ending of Period, Cash	**1,974.5**	**762.7**	**771.5**	**758.4**

FY 2004 Cash: In FY 2004, the DWWCF outlays from operations were $1,791.7 million. The primary driver was Supply Management with outlays of $2,610.6 million (Energy $1,615.7 million and Non-Energy $994.9 million). Energy's outlays were higher than budgeted due to increased product costs and an increase in volume. The FY 2004 end of year composite fuel product cost was $45.88 per barrel, causing a loss of $15.00 per barrel for every barrel sold. Non-Energy's outlays were driven by the hardware centers readiness inventory investment efforts and relatively low FY 2003 inventory levels after the Iraqi Freedom efforts.

FY 2004 outlays were offset by appropriations of $2,280.5 million. In FY 2004 the Emergency Supplemental

Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004 (P.L. 108-106) provided $600 million to the Defense Working Capital Fund to fund FY 2004 fuel losses resulting from continuing fuel price increases. An additional $966.3 million was provided in Title IX of the Department of Defense Appropriations Act for 2005 (P.L. 108-287) to fund FY 2004 fuel losses resulting from record high fuel market prices. Energy also received $22.7 million to support fuel facility costs. Non-energy received $179.8 million in appropriations to include; $78.9 for aviation investment, $51.2 million for unused storage, $46.1 million for DRMS costs, and $3.6 million for DFAS system costs. In addition, the DWWCF received $511.7 million in appropriations for subsequent periods.

$40.8 million was transferred to the Defense Commissary Agency Commissary Operations business area.

Technical Adjustment: Title IX of the DoD Appropriations Act for FY 2005 (P.L. 108-287) authorized direct appropriations for the Defense Working Capital Fund (DWCF) totaling $511.7 million. The timing of the issuance of the appropriation in July, 2004, resulted in the posting of the FY 2005 appropriation in FY 2004 since the appropriation language stated that the funds are available upon enacted which was July 20, 2004. However, part of the $511.7 million appropriated included $331.3 million for non-DWCF business activities (Army, Navy, and Air Force). Since all of the $511.7 million was posted to the Defense-Wide Working Capital Fund (DWWCF) and only $180.4 million was DWWCF, cash balance at the end of FY 2004 was overstated by $331.1 million. The technical adjustment reflected in the FY 2005 column reflects the adjusting of the $331.3 million of non-DWCF direct appropriations.

FY 2005 Cash: In FY 2005, DWWCF outlays from operations are projected at $2,074.8 million. The primary driver is Supply Management with projected outlays of $1,693.0 million (Non-Energy -$6.8 million and Energy $1,699.8 million). Energy’s outlay projection is due to an increase in fuel costs.

FY 2005 outlays will be offset by appropriations of $1,246.3 million. Included in the $1,246.3 million is $1,244.3 million in FY 2005 supplemental requirements to offset increases in fuel price costs over and above the Oct 1, 2004 stabilized selling price ($842.3 million), and to fund transportation and delivery costs of fuel delivery to U.S. Forces in Iraq ($402 million). These requirements are included in the Department of Defense FY 2005 Supplemental Request for Operation Iraqi Freedom and Operation Enduring

Freedom. Energy has received $28.5 million for Energy facility studies and disposal, and $1.8 million in a hurricane supplemental. Non-Energy receives $151.6 million which includes $60.7 million for meals ready to eat war reserve, $48.5 million for unused warehouse space, $38.8 million for reutilization, transfer, and disposal costs, and $3.6 million for DFAS system costs. DLA will rebate $12.0 million in cash to the Army for the Cooperative Logistic Support Services Agreement (CLSSA) investment in support of Foreign Military Sales. Distribution Depots received $0.2 million in the hurricane supplemental and DFAS receives $0.3 million in support of legacy systems. The DWWCF will transfer $40.0 million to OPM in support of the DSS workload transfer, using Presidential transfer authority.

FY 2006 Cash: In FY 2006, DWWCF outlays from operations are projected at $75.5 million offset by appropriations of $84.3 million in non-energy for unused warehouse space ($47.6 million), reutilization, transfer, and disposal costs ($35.4 million), and DFAS system costs ($1.3 million).

FY 2007 Cash: In FY 2007, DWWCF outlays from operations are projected at $52.0 million partially offset by appropriations of $39.0 million for reutilization, transfer, and disposal costs ($36.8 million), and DFAS system costs ($2.1 million).

Bottom Line: DWWCF will experience significant decreases in cash in FY 2005 due to the increase in the cost of fuel and operations. The cash balance is projected to remain at approximately $760 million in FY 2006 and FY 2007.

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL
SOURCE OF NEW ORDERS AND REVENUE
FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES
FEBRUARY 2005
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders:				
a. Orders from DoD Components				
Army	10,268.9	8,799.3	9,344.5	8,893.9
Navy	5,857.1	6,922.2	6,719.8	6,546.0
Air Force	7,977.7	9,085.1	9,631.0	9,349.2
Marine Corps	970.5	889.3	883.2	845.9
Other	2,745.6	2,621.4	2,421.0	2,813.7
b. Orders from Other Fund Activity Grou	3,195.0	3,249.0	3,201.3	3,034.1
c. Total DoD	31,014.8	31,566.3	32,200.8	31,482.8
d. Other Orders:				
Other Federal Agencies	1,244.3	1,043.1	1,042.1	1,035.5
Trust Fund	0.0	0.0	0.0	0.0
Exchange Activities	0.0	0.0	0.0	0.0
Non Federal Agencies	326.5	689.5	678.9	636.4
Foreign Military Sales	460.7	900.3	922.4	904.6
2. Carry-In Orders	2,583.9	2,159.1	1,844.5	1,556.3
3. Total Gross Orders	35,630.2	36,358.3	36,688.7	35,615.6
4. Funded Carry Over	2,332.0	1,915.0	1,552.3	1,530.5
5. DRMS Sales Proceeds	69.6	47.5	48.5	49.0
6. Total Gross Sales	33,367.8	34,490.8	35,184.9	34,134.1

EXHIBIT FUND-11

DEFENSE-WIDE WORKING CAPITAL FUND
SUMMARY
FISCAL YEAR (FY) 2006/2007 BUDGET ESTIMATES
REVENUE AND EXPENSES
FEBRUARY 2005
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue:				
Gross Sales	33,347.7	34,459.9	35,184.9	33,748.8
Operations	32,965.9	33,984.2	34,749.6	33,371.6
Capital Surcharge	91.3	101.3	69.4	6.5
Depreciation excluding Major Construction	290.5	374.4	365.9	370.7
Major Construction Depreciation	0.0	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0	0.0
Other Income	1,215.4	719.8	747.4	728.7
Refunds/Discounts (-)	(375.4)	(518.6)	(522.9)	(498.5)
Total Income	**34,187.7**	**34,661.1**	**35,409.4**	**33,979.0**
Expenses:				
Cost of Materiel Sold from Inventory	21,905.5	22,690.6	21,907.0	21,074.0
Materiel-Related	0.0	0.0	0.0	0.0
Salaries and Wages:				
Military Personnel Compensation & Benefits	79.4	68.7	61.9	60.5
Civilian Personnel Compensation & Benefits	2,830.9	2,831.6	2,800.9	2,779.2
Travel & Transportation of Personnel	83.8	95.6	88.1	83.8
Materials & Supplies (For Internal Oper)	235.7	239.7	244.4	245.6
Equipment	250.1	264.2	277.5	284.3
Other Purchases from Revolving Funds	1,247.0	1,037.1	1,070.2	1,065.5
Transportation of Things	1,986.7	2,349.3	1,895.2	1,676.9
Major Maintenance & Repair	0.0	0.0	0.0	0.0
Depreciation - Capital	315.5	397.1	378.2	385.7
Printing & Reproduction	227.1	268.6	270.7	277.4
Advisory and Assistance Services	6.9	3.9	4.6	4.6
Rent, Communication, Utilities, & Misc.	1,784.9	1,797.6	1,743.7	1,717.9
Other Purchased Services	4,094.6	4,478.6	4,568.4	4,521.2
Total Expenses	**35,048.1**	**36,522.6**	**35,310.8**	**34,176.6**
Operating Result	**(860.4)**	**(1,861.5)**	**98.6**	**(197.6)**
Less Capital Surcharge Reservation	(91.3)	(101.3)	(69.4)	(6.5)
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0	0.0
Other Adjustments Affecting NOR	1,547.0	1,010.6	(195.0)	(283.5)
Net Operating Result (NOR)	**595.3**	**(952.2)**	**(165.8)**	**(487.6)**
Prior Year Adjustments	0.0	0.0	0.0	0.0
Other Changes Affecting AOR	0.0	0.0	(245.1)	0.0
Prior Year AOR	853.0	1,448.2	586.2	175.3
Accumulated Operating Result (AOR)	**1,448.3**	**496.0**	**175.3**	**(312.3)**
Non-Recoverable Adjustments Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Results for Budget Purposes	**1,448.3**	**496.0**	**175.3**	**(312.3)**

DEFENSE FINANCE AND ACCOUNTING SERVICE

OVERVIEW

Our mission is to provide professional, responsive finance and accounting service to the men and women who defend America. Making that service more efficient produces the best value to the Department of Defense and the taxpayer. In FY 2004, we lowered the cost of the services we provide to 0.30 percent of the total Defense Budget. That's a decrease of almost 50 percent from 0.56 percent in FY 1999. This means that out of every dollar spent on Defense more can go toward protecting, training, and equipping our soldiers, sailors, airmen and Marines. A more efficient DFAS means stronger national security and a greater value to the American taxpayer.

This past year, our DFAS team performed important roles as America mobilized for war in Iraq. Our trusted support helped the warfighters focus on their mission, while we focused on their financial needs. The DFAS team has a key role supporting the effort to rebuild a nation by providing finance and accounting expertise to establish control, disbursing and pay processes.

In Military and Civilian Pay Services, we now pay about 5.9 million people. Of those customers, more than 2.9 million have chosen to make MyPay their key to accessing and controlling pay information. Our customers enjoy taking charge of their own pay information.

Commercial Pay Services disbursed approximately $228 billion in FY 2004 through two product lines, Contract Pay and Vendor Pay. The DFAS team processed more than 12.6 million invoices and paid 93 percent of them electronically. DFAS also made progress reducing the amount of interest paid per million dollars disbursed, lowering this figure to just $138, down from $160 in FY 2003.

In Accounting Services, we saw significant improvement on many fronts. Accounting reports are now delivered in 13 days, and quarterly reports in 21 days instead of last year’s 45 days. DFAS professionals performed more than 127 million accounting transactions during FY 2004, and disbursed over $455 billion. The DFAS accounting team managed more than $195 billion in the Military Retirement Trust Fund earning a 5.19 percent market value return, and $39 billion in the Medicare-Eligible Retire Health Care Fund earning 2.43 percent return. The return on the Military Retirement Fund exceeded the market value average return on competitive commercial funds by over 2 percent. All of these accomplishments enhance DFAS' value to customers. Internally, a variety of teams provide the mission-critical systems, resources, information and environment without which these achievements would not have been possible.

The enhanced ePortal makes access to information and applications easier and allows individual members of the DFAS workforce to collaborate effectively from their desktops no matter what the geographic distance. Our DFAS systems have competed against other DoD entities, federal agencies, and commercial enterprises to win an

impressive array of awards. Executive leaders have taken steps to better link our budget to strategy. Our Portfolio Management initiative gives us the "total picture" to ensure we make the best resource decisions. The Corporate Resources realignment has delivered improved personnel, resources and administrative support for us all, while reducing the overhead cost to our customers.

Smooth teamwork, professional knowledge and expertise, and intrinsic core values of integrity, innovation, and service combine to give us a winning edge. Proving again that we have what it takes to continue our journey toward being a world-class finance and accounting service provider for the people who defend America.

DFAS Transformation is our integrated approach for assessing every product line and function within our agency to ensure we deliver the right products and services to the right customers in the best way possible. It will allow us to better anticipate and meet our customer needs and increase the future value we deliver. DFAS team members have always demonstrated the ability to adapt and succeed in the face of significant change. That is why I am confident that our DFAS Team will achieve a successful transformation.

In addition to the structural and procedural changes involved in Transformation, Lean Thinking and Six Sigma are producing cultural change where everyone on the team is entrusted, empowered and energized to fight waste and look for opportunities to continually pursue perfection. Lean Thinking and Six Sigma will help ensure that everything we do generates value for the client and will help us to better identify and act on opportunities to improve.

The principles of Lean Thinking are based on ensuring value is defined by the customer, clearly determining the complete value chain, allowing value to flow through the entire process, and letting the customer demand pull the process along. The final principle of the Lean Thinking concept involves continuously pursuing perfection.

Such fundamental change will be successful only if we take care of DFAS' most valuable resource--our team members. DFAS' Human Capital Working Group is evaluating and addressing all the challenges facing our team members in order for DFAS to truly become an employer of choice. The investments we make in retaining qualified employees and recruiting new ones make certain DFAS will continue to employ the best and the brightest to serve the men and women who defend America.

DFAS MAJOR ACTIVITIES AND LOCATIONS

Financial Operations Business Area:

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

Information Services Business Area:

Activity	Location
Technology Support Organization	Indianapolis, Indiana

OPERATIONS BUDGET BY ACTIVITY GROUP

Financial Operations Budget Activity Group:

The Financial Operations business area is composed of the three major business lines highlighted above – Military and Civilian Pay Services, Commercial Pay Services, and Accounting Services. In addition to these components, DFAS is also responsible for safeguarding U.S. funds through the delivery of payments and receipt of collections, providing prompt payment, accurate and timely disbursing service, and reporting Disbursing Officer accountability to the Department of Treasury.

The following table identifies costs, revenue, and workforce data for FY 2004 through 2007:

(Dollars in Millions)

Funding:	FY 2004	FY 2005	FY 2006	FY 2007
Costs	1,597.4	1,645.0	1,751.0	1,628.0
Revenue	1,677.7	1,680.2	1,781.8	1,624.8

Personnel:

Civilian End Strength (E/S)	12,826	13,059	12,286	11,355
Civilian Workyears (WYs)	12,815	12,835	12,596	11,793
Military E/S & WYs	711	465	347	253

FY 2004 Budget to FY 2004 Actual: In FY 2004, actual operating costs were less than the budgeted amount by $59 million. The under execution was primarily due to $40 million in DoD IG Audit of Financial Management Systems, which didn't materialize. There was also $9.5 million in ePayroll work, which was delayed until FY 2005 and FY 2006. Additionally, depreciation costs were less than expected by $9 million.

FY 2005 President's Budget to Current Estimate: DFAS continues to reduce workyears and overhead costs. The decrease of $61.1 million is a combination of factors listed below:

- $ 74.0 million decrease – DFAS will be incurring and collecting less cost from our customers to support the DoD IG Audit of Financial Management Systems. The original cost estimate per system as well as projected implementation schedule provided to DFAS from the DoD IG has been revised.

- $ 13.0 million increase – DFAS non-rate-based work we do for other customers increased. These are amounts provided by the customers in addition to amounts that may be in the rate-based amounts. This new work includes processing travel vouchers for the Army Reserve and National Guard and providing e-payroll support to non-DoD customers.

FY 2005 Current Estimate to FY 2006 Current Estimate: Overall costs reflect an increase of $106 million and this is directly attributed to the merger of the DFAS Financial Operations and Information Services. Other cost changes are reflected below:

- $ 46.6 million decrease – DFAS will be incurring and collecting less cost from our customers to support the DoD IG Audit of Financial Management Systems. The original cost estimate per system as well as projected implementation schedule provided to DFAS from the DoD IG has been revised.

- $10.2 million decrease - These changes are a result of inflation factor decreases and payroll re-pricing guidelines addressed during the internal budget review process.

- $5.9 million decrease - Decrease reflects less investment in DFAS Corporate Database/DFAS Corporate Warehouse (DCD/DCW), and net change of zero between Operational Data Store (ODS) and Installation Supply Buffer (ISB), and will result in more efficiency and streamlined business processes.

- $ 14.5 million increase – DFAS non-rate-based work we do for other customers increased. These are amounts provided by the customers in addition to amounts that may be in the rate-based amounts. This new work includes processing travel vouchers for the Army Reserve and National Guard and providing e-payroll support to non-DoD customers.

- $6.4 million increase – Will provide DFAS the capability to fully implement Wide Area Workflow for the Department of the Army. This system electronically processes vendor pay transactions and will result in cost savings for DFAS as well as Army starting in FY 2007.

FY 2006 Current Estimate to FY 2007 Current Estimate: Overall costs reflect a decrease of $123 million and the changes are reflected below:

- $ 65.5 million decrease – DFAS will be incurring and collecting less cost from our customers to support the DoD IG audit of Financial Management Systems. The original cost estimate per system as well as projected implementation schedule provided to DFAS from the DoD IG has been revised.

- $18.4 million decrease - These changes are a result of inflation factor decreases and payroll re-pricing guidelines address during the PBD process.

- $14.8 million decrease – Attributed to Wide Area Workflow savings DFAS will achieve from program implementation.

- $9.0 million decrease - Decrease reflects less investment in DFAS Corporate Database/DFAS Corporate Warehouse (DCD/DCW), and Installation Supply Buffer (ISB) and will result in more efficiency and streamlined business processes.

- $ 15.0 million increase – Our non-rate-based work we do for other customers increased. These are amounts provided by the customers in addition to amounts that may be in the rate-based amounts. This new work includes processing travel vouchers for the Army Reserve and National Guard and providing e-payroll support to non-DoD customers.

FY 2005 President's Budget FY 2005 (Revised):

	(Dollars in Millions)
FY 2004 President's Budget	1,706.1
Price Adjustments	-74.0
Program Changes	13.0
FY 2005 Program Revised	1,645.1

FY 2005 (Revised) to FY 2006:

	(Dollars in Millions)
FY 2005 Revised	1,645.1
Price Adjustments	36.7
Productivity	-13.8
Program Change/Other Changes	83.0
FY 2006 Program	1,751.0

FY 2006 to FY 2007:

	(Dollars in Millions)
FY 2005 Revised	1,751.0
Price Adjustments	47.3
Productivity	-48.7
Program Change/Other Changes	-121.6
FY 2006 Program	1,628.0

FINANCIAL OPERATIONS

Costs by Output Category

	(Dollars in Millions)			
	FY 2004	**FY 2005**	**FY 2006**	**FY 2007**
Civilian Pay Accounts Maintained	58.4	57.8	66.3	60.6
Active Military Pay Accounts Maintained	150.8	151.2	162.4	153.1
Military Pay Incremental	54.8	51.4	41.8	43.7
Retired Pay Accounts Maintained	54.8	49.4	50.8	51.4
Reserve Military Pay Accounts Maintained	40.5	41.2	50.0	44.5
Contract Payments - MOCAS	82.8	82.7	84.3	77.6
Contract Payments - SAMMS	16.1	16.5	15.9	14.6
Contract Payments - DECA & DITCO	7.0	7.0	8.8	7.5
Travel Vouchers Paid	54.6	46.0	38.0	32.6
Transportation Bills Paid	20.0	18.3	14.3	13.8
Commercial Payments	174.0	167.5	169.1	140.3
Out of Service Debt Cases Managed	22.5	22.6	23.4	24.4
Direct Billable Hours	736.1	741.7	752.9	717.1
Accounting and Finance Support to Commissaries	10.9	12.7	9.0	8.7
FMS Cases Managed	28.8	26.1	27.3	25.9
Garnishments	-	12.7	12.4	12.9
Support to Others	85.1	140.3	203.9	169.0
Epayroll	-	-	20.5	30.3
Total Costs	**1,597.2**	**1,645.1**	**1,751.1**	**1,628.0**

DFAS has 18 output categories that cover the broad range of accounting and finance activities. All outputs except Support to Others are workcount driven and thus have individual unit cost rates. The Support to Others output is managed on a cost

reimbursable basis. In general, the DFAS workload continues to increase in consonance with projected customer dollar and personnel resources.

FINANCIAL OPERATIONS

Workload by Output Category	(Numbers in Millions)			
	FY 2004	**FY 2005**	**FY 2006**	**FY 2007**
Civilian Pay Accounts Maintained	17.5	17.5	17.5	17.5
Active Military Pay Accounts Maintained	18.6	18.5	18.9	18.9
Military Pay Incremental	5.3	5.3	5.3	5.3
Retired Pay Accounts Maintained	29.0	30.0	32.9	33.3
Reserve Military Pay Accounts Maintained	12.5	12.5	12.5	12.5
Contract Payments - MOCAS	1.8	2.2	2.2	2.2
Contract Payments - SAMMS	3.0	3.0	4.1	4.1
Contract Payments - DITCO	0.0	0.0	1.6	2.0
Contract Payments - DeCA	3.3	3.3	2.0	1.6
Travel Vouchers Paid	6.4	5.9	5.8	5.6
Transportation Bills Paid	0.7	0.7	0.8	0.9
Commercial Payments	9.8	9.7	10.6	10.8
Out of Service Debt Cases Managed	3.7	3.7	3.7	3.7
Direct Billable Hours	8.7	8.6	8.4	7.5
Accounting and Finance Support to Commissaries /1	0.0	0.0	0.0	0.0
FMS Cases Managed	0.2	0.2	0.2	0.2
Garnishments	-	0.2	0.5	0.5
Civilian Pay (ePayroll)	0.0	0.0	5.2	8.4
Support to Others	80.1	133.9	121.3	109.9
/1 Workload is too small to represent in millions. The actual workload is:	3432.0	3582.0	3544.0	3505.0

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

Operating Results - Financial Operations
(Dollars in Millions)

	FY 2004	**FY 2005**	**FY 2006**	**FY 2007**
Revenue	1,677.7	1,680.2	1,781.8	1,624.8
Costs	1,597.4	1,645.0	1,751.0	1,628.0
NOR	**80.3**	**35.2**	**30.8**	**-3.2**
P/Y AOR	102.0	182.3	217.3	
Other Changes			-245.1	
AOR	182.3	217,5	3.2	0

DFAS Fiscal Year (FY) 2006-2007 Budget Estimates
Changes in the Costs of Operation
Component: Defense Finance and Accounting Service
Business Area: Information Services
Date: February 2005
(Dollars in Millions)

	Expenses
FY 2004 Estimated Actual:	174.7
FY 2005 Estimate in President's Budget:	150.4
Program Changes:	
Other:	0.0
FY 2005 Current Estimate	150.4
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	0.0
FY 2006 Pay Raise	
Civilian Personnel	0.0
Military Personnel	0.0
General Purchase Inflation	0.0
Productivity Initiatives and Other Efficiencies:	
Process Improvements	0.0
DFAS Savings determined by OUSD	0.0
Program Changes:	
Consolidate Operations into 4930-5L	(150.4)
Other Changes:	
FY 2006 Estimate:	0.0
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	0.0
FY 2007 Pay Raise	
Civilian Personnel	0.0
Military Personnel	0.0
General Purchase Inflation	0.0
Productivity Initiatives and Other Efficiencies:	
Process Improvements	0.0
DFAS Savings determined by OUSD	0.0
Program Changes:	
Other Changes:	
FY 2007 Estimate:	0.0

DFAS Fiscal Year (FY) 2006-2007 Budget Estimates
Changes in the Costs of Operation
Component: Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 2005
(Dollars in Millions)

	Expenses
FY 2004 Actual:	1,597.2
FY 2005 Estimate in President's Budget:	1,645.0
Program Changes:	
Other:	0.0
FY 2005 Current Estimate	1,645.0
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	7.0
FY 2006 Pay Raise	
Civilian Personnel	19.6
Military Personnel	0.4
General Purchase Inflation	9.7
Productivity Initiatives and Other Efficiencies:	
Process Improvements	(13.8)
Program Changes:	
Support to Others	(35.0)
Civilian Pay Costs	91.6
Civilian Replacements	5.4
Military Labor Reduction - Military	(3.4)
Increased/New Workload	18.0
Wide Area Work Flow	6.4
Other Changes:	0.0
FY 2006 Estimate:	1,750.9
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	7.7
FY 2007 Pay Raise	
Civilian Personnel	28.1
Military Personnel	0.4
General Purchase Inflation	11.1
Productivity Initiatives and Other Efficiencies:	
Process Improvements	(48.7)
Program Changes:	
Support to Others	(50.4)
Civilian Pay Costs	(78.5)
Civilian Replacements	10.1
Military Labor Reduction - Military	(2.8)
Military Labor Reduction - Civilian	0.0
Other Changes:	0.0
FY 2007 Estimate:	1,627.9

DFAS Fiscal Year (FY) 2006-2007 Budget Estimates
Source of Revenue
Defense Finance and Accounting Service
Business Area: Information Services
Date: February 2005
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders From DoD Components:				
Air Force, O & M	0.0	0.0	0.0	0.0
Navy, O & M	10.1	6.3	0.0	0.0
Marine Corps, O & M	19.0	14.8	0.0	0.0
b. Orders From Other Fund Business Areas:				
DFAS Financial Operations	145.5	119.7	0.0	0.0
DLA and DoD Agencies	9.8	6.4	0.0	0.0
Air Force, DWCF	9.2	5.2	0.0	0.0
Navy, DWCF	0.0	0.0	0.0	0.0
c. Total DoD:	193.6	152.4	0.0	0.0
d. Other Orders:	0.0	0.0	0.0	0.0
Total New Orders	193.6	152.4	0.0	0.0
2. Carry-In Orders	25.0	31.0	0.0	0.0
3. Total Gross Orders:	193.6	152.4	0.0	0.0
4. Revenue (-)	193.6	152.4	0.0	0.0
5. End of Year Work-in-Process (-)	0.0	0.0	0.0	0.0
6. Direct Contract Obligations (-)	0.0	0.0	0.0	0.0
7. Non-DoD, BRAC, FMS and DWCF Orders (-)	0.0	0.0	0.0	0.0
8. Funded Carry-Over	0.0	0.0	0.0	0.0
9. Months of Carryover	0	0	0	0

FY 2006/07 combines Information Services and Financial Operations

Fiscal Year (FY2006/2007) President's Biennial Budget
Source of Revenue
Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 2005
(Dollars in Millions)

	FY2004	FY2005	FY2006	FY2007
a. Orders from DoD Components:				
O&M, DW - Armed Forces Information Service	1.0	1.0	1.2	1.2
O&M, DW - Army Corps of Engineers	2.9	3.1	3.3	3.2
RDT&E, DW - Missle Defense Agency	2.5	2.7	3.6	3.6
RDT&E, DW - Defense Advance Research Projects Agency	2.5	2.5	2.5	2.4
O&M, DW - Defense Contract Audit Agency	4.8	4.2	4.3	4.1
O&M, DW - Defense Contract Management Activity	7.2	6.3	6.2	5.7
O&M, DW - Defense Health Program	25.3	36.7	36.0	33.6
O&M, DW - DoD Human Resources Activity	1.0	0.6	0.6	0.5
O&M, DW - Defense Information Systems Agency (DISA)	11.8	12.0	11.9	11.5
O&M, DW - Defense Information Technology Contracting Office	5.6	4.1	5.7	5.6
O&M, DW - Defense Intelligence Agency	0.8	0.7	0.6	0.6
O&M, Defense Logistics Agency (DLA)	19.5	14.9	11.7	9.6
O&M, DW - Defense Technical Information Center	0.9	0.7	0.7	0.6
O&M, DW - Defense Threat Reduction Agency	2.3	2.4	4.1	4.1
O&M, Air Force	285.6	299.9	293.9	274.4
O&M, Army	515.1	552.9	576.5	506.0
O&M, Navy	275.9	276.5	251.2	230.0
O&M, Navy Reserve	3.9	4.5	4.7	4.4
RDT&E, Navy	3.2	3.4	3.3	3.2
O&M, DW - DoD Education Activity	6.8	5.9	7.9	7.6
O&M, DW - DoD Inspector General	1.5	1.4	1.3	1.3
DOT - Coast Guard	0.1	0.1	0.1	0.1
O&M, DW - Defense Prisoner of War/Missing Personnel Office	0.3	0.2	0.2	0.2
O&M - Office of Economic Adjustment	0.2	0.1	0.1	0.1
O&M, DW - Executive Office of the President	0.1	0.1	0.2	0.2
O&M, DW - National Geospatial Agency (NIMA)	1.8	1.7	1.6	1.5
O&M, DW - National Security Agency	0.8	0.5	1.0	0.9
O&M, DW - Office of the Joint Chiefs	1.3	1.1	1.1	1.1
Defense Agencies (Other)	1.0	0.4	0.7	0.7
O&M, DW - Secretary of Defense Activities (SDA) White Sands	0.1	0.2	0.2	0.2
O&M, Marine Corps	83.5	87.2	87.7	80.0
O&M, DW - Washington, Headquarters Services (WHS)	3.0	0.8	5.5	5.6
O&M, DW - Defense Security Service (DSS)	0.5	0.7	0.5	0.5
O&M, DW - WHS (BMSI)	10.7	11.6	11.0	11.3

Fiscal Year (FY2006/2007) President's Biennial Budget
Source of Revenue
Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 2005
(Dollars in Millions)

	FY2004	FY2005	FY2006	FY2007
b. Orders from Other Fund Activity groups				
WCF, C - Defense Commissary Agency	31.2	31.9	20.1	19.3
WCF, DW - DFAS Financial Operations	3.1	3.3	5.9	5.8
WCF, Army	118.8	60.9	40.3	33.7
WCF, Air Force	52.1	27.3	35.5	34.6
WCF, Navy - Air Warfare Center	6.0	4.6	4.1	3.8
WCF, Navy - Base Support	4.8	12.3	12.3	12.3
WCF, Navy - Naval Aviation Depots	4.2	8.3	8.1	7.7
WCF, Navy - Navy Research Laboratory	0.8	0.8	1.0	0.9
WCF, Navy - Shipyards	2.6	9.1	8.8	8.8
WCF, Navy - Space and Naval Warfare Systems Command (SPAWAR)	6.4	4.0	6.4	6.0
WCF, Navy - Supply Management	9.3	13.6	12.6	12.3
WCF, Navy - Surface Warfare Center	14.3	13.0	14.6	13.7
WCF, Navy - Undersea Warfare Center	6.7	3.5	4.3	4.1
WCF, DW - Defense Logistics Agency (DLA)	5.0	5.5	5.8	5.5
WCF, DW - DLA Distribution Depots	3.9	5.0	5.5	5.3
WCF, DW - DLA Printing and Publication Service	2.3	4.0	5.8	5.8
WCF, DW - DLA Reutilization and Marketing Service	4.9	5.9	6.9	6.3
WCF, DW - DLA Supply Management	48.2	53.6	57.7	53.8
WCF, DW - USTRANSCOM	12.6	15.8	12.0	11.5
WCF, DW United States Soldier's and Airmen's Home	0.0	0.1	0.1	0.1
c. Total DoD:				
d. Other Orders				
Other - Foreign Military Sales (FMS) - Defense Security Cooperation Agency	32.1	28.3	29.6	28.2
Other - Non-DoD Agencies	24.9	28.3	44.5	37.4
WCF, DW - DFAS Information Services			98.8	92.3
Total New Orders	1,677.7	1,680.2	1,781.8	1,624.8

FY 2006/07 combines Information Services and Financial Operations

DFAS Fiscal Year (FY) 2006-2007 Budget Estimates
Revenue and Expenses
Component: Defense Finance and Accounting Service
Business Area: Information Services
February 2005
(Dollars in Millions)

	FY 2004	FY2005	FY2006	FY2007
Revenue				
Gross Sales				
Operations	191.6	150.9	0.0	0.0
Capital Surcharge				
Depreciation exc Maj Const	2.0	1.5	0.0	0.0
Major Construction Dep				
Other Income				
Refunds/Discounts (-)				
Total Income:	193.6	152.4	0.0	0.0
Expenses				
Cost of Material Sold from Inventory (DeCA)				
Salaries and Wages:				
Military Personnel Comp & Bene	0.7	0.5	0.0	0.0
Civilian Personnel Comp & Bene	98.9	96.4	0.0	0.0
Travel & Transportation of Personnel	1.5	2.5	0.0	0.0
Materials & Supplies (Internal Operations)	0.8	1.9	0.0	0.0
Equipment	0.7	0.4	0.0	0.0
Other Purchases from Revolving Funds	3.4	6.3	0.0	0.0
Transportation of Things	0.0	0.0	0.0	0.0
Depreciation - Capital	2.0	1.5	0.0	0.0
Printing and Reproduction	0.2	0.3	0.0	0.0
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Comm, Utilities, & Misc Charges	2.3	2.8	0.0	0.0
Other Purchased Services	64.2	37.8	0.0	0.0
Total Expenses	174.7	150.4	0.0	0.0
Operating Result	18.9	2.0	0.0	0.0
Less Capital Surcharge Reservation				
Plus Appropriations Affecting NOR/AOR				
Other Changes Affecting NOR/AOR *				
Net Operating Result	18.9	2.0	0.0	0.0
PY AOR	3.8	22.7		
Other Changes Affecting AOR	-	-		
Accumulated Operating Results	22.7	24.7	0.0	0.0

DFAS Fiscal Year (FY) 2006-2007 Budget Estimates
Revenue and Expenses
Component: Defense Finance and Accounting Service
Business Area: Financial Operations
February 2005
(Dollars in Millions)

	FY 2004	FY2005	FY2006	FY2007
Revenue				
Gross Sales				
Operations	1,562.1	1,554.0	1,671.8	1,521.0
Capital Surcharge				
Depreciation exc Maj Const	115.6	126.2	110.0	103.8
Major Construction Dep				
Other Income				
Refunds/Discounts (-)				
Total Income:	1,677.7	1,680.2	1,781.8	1,624.8
Expenses				
Cost of Material Sold from Inventory (DeCA)				
Salaries and Wages:				
Military Personnel Comp & Bene	29.2	16.7	13.2	10.5
Civilian Personnel Comp & Bene	841.9	848.8	959.6	914.8
Travel & Transportation of Personnel	19.1	23.2	24.0	21.2
Materials & Supplies (Internal Operations)	14.5	11.9	9.6	9.2
Equipment	4.0	6.7	3.1	3.5
Other Purchases from Revolving Funds	249.1	246.9	252.4	235.4
Transportation of Things	0.8	1.9	1.8	1.5
Depreciation - Capital	115.6	126.2	110.0	103.8
Printing and Reproduction	7.5	11.2	11.1	10.9
Advisory and Assistance Services	5.6	1.6	2.5	2.5
Rent, Comm, Utilities, & Misc Charges	56.0	70.8	71.0	72.5
Other Purchased Services	254.1	279.1	292.7	242.2
Total Expenses	1,597.4	1,645.0	1,751.0	1,628.0
Operating Result	80.3	35.2	30.8	-3.2
Less Capital Surcharge Reservation				
Plus Appropriations Affecting NOR/AOR				
Other Changes Affecting NOR/AOR *				
Net Operating Result	80.3	35.2	30.8	-3.2
PY AOR	102.0	182.3	217.5	3.2
Other Changes Affecting AOR	0.0	0.0	-245.1	
Accumulated Operating Results	182.3	217.5	3.2	0.0

DEPARTMENT OF DEFENSE
DEFENSE INFORMATION SYSTEMS AGENCY

Defense Working Capital Fund (DWCF)
Defense Computing Services

FISCAL YEAR 2006 - 2007 PRESIDENT'S BUDGET

The Computing Services business area of the Defense Information Systems Agency provides mainframe and server computer operations, production support, technical services, and end-user assistance for command and control, combat support, and eBusiness functions across the DoD. The four Systems Management Centers and twelve remote processing centers (called Processing Elements) in the continental U.S., and the two processing centers outside the continental U.S. rely on highly skilled and experienced teams of government and contractor personnel to manage hardware and software encompassing a broad spectrum of computing, storage, and communications technologies. The business area facilities have been designed and are managed to provide a secure, available, disciplined, and interoperable environment for both classified and unclassified processing under military control. As an integral component of the Global Information Grid (GIG), Defense Computing Services provides global reachback, end-to-end control, defensive information operations, and operational sensitivity. Further, the Global Combat Support System provides commanders with web-based access to selected Service and Agency authoritative/preferred logistics and transportation databases, which avoids the need to lift and support a considerable IT infrastructure to the theater of operations.

Consistent with Joint Vision (JV) 2020, information processing and information technology (IT) are strategic to achieving information superiority to attain full spectrum dominance. The JV 2020 states that information, information processing, and communications networks are at the core of every military activity. The development of the Global Information Grid (GIG) will provide the network-centric environment required to achieve this goal. The GIG will be the globally interconnected, end-to-end set of information capabilities, associated processes, and people to manage and provide information on demand to warfighters, policy makers, and support personnel. It will enhance combat power and contribute to the success of noncombatant military operations as well. DISA's computing operations are integral components of the GIG. To ensure information superiority, security, and availability, these capabilities must be under the military ownership and control that, per JV 2020, allows them to operate "at a tempo that allows the force to shape the situation or react to changes and accomplish its mission" and to protect against the information operations of an opponent.

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

A. **Transformation**: There are a number of management initiatives, collectively called Transformation, which will enhance the business area's availability, affordability, and ease of use. This budget reflects the completion of these initiatives, which began in FY 2003. Additional discussion may be found below.

B. **Increased server workload**: Both direct costs and capital investments reflect a significant increase in server workload. The most notable increases support Air Force,

Defense Logistics Agency, Defense Accounting and Finance, Military Health, and Military Personnel applications.

C. **Net-Centric Enterprise Services**: Initial customer-funded workload for this initiative is reflected in the FY 2005 column of this budget, with continued new orders in FY 2006 and FY 2007.

D. **Managed Services**: This budget reflects a new approach to fulfilling some program requirements. Rather than making all of the required capital investments in house, we take advantage of market efficiencies and flexibility by contracting with the private sector to provide the additional computing capacity.

Transformation Initiatives

DISA has a number of transformation initiatives that enhance Defense Computing Services' availability, affordability, and ease of use. The actions necessary to achieve the goals of the Transformation began in FY 2003 and will be mostly complete by the end of FY 2005, although some costs continue through FY 2007. The goals are as follow:

Assured Computing. Assured computing is a set of initiatives designed to ensure that data is continuously available to the warfighter. There are five pillars of assured computing:

Data Availability: Availability of the data is the most important pillar. Assured computing uses remote data replication and mirroring at geographically separate locations to ensure the availability of data in the event of a catastrophic loss of a processing facility, and to mitigate the risks inherent in data center consolidations. DISA has already implemented data replication in the Unisys mainframe environment and the transformation initiatives expand data replication into the OS/390 mainframe and server environments

Facilities Availability: Capital investments in facilities ensure redundancy of all elements of power and environmental control.

Equipment Availability: DISA will continue its efforts to replace mechanical devices prone to failure, such as tape drives and silos, with more reliable and redundant technology, such as virtual tape. For all hardware, consolidated maintenance contracts will continue to emphasize up-time. These contracts incentivize vendors to keep the equipment in an operational condition to the maximum extent possible, using techniques such as predictive, call-home maintenance and remote automated diagnostics.

Communications Availability: DISA has eliminated single points of failure at the facility level by ensuring that communications paths into and out of computing facilities are both diverse and redundant. The GIG Bandwidth Expansion and DoD Teleport initiatives provide additional diversity and Critical Infrastructure Protection (CIP) at the backbone level, and will further enhance the warfighter's ability to access combat support information.

Software Availability: DISA is working with software vendors to eliminate or reduce destructive or disruptive loads of new releases of commercial-off-the-shelf software. New software releases must be able to be loaded while maintaining both application and data integrity, avoiding interruptions to customer processing.

Consolidation of systems management. DISA consolidated all systems management functions for mainframe and server computing into four locations, providing built-in backup support for each operating environment. These four sites are known as Systems Management Centers (SMCs) and are located in Mechanicsburg, PA, Ogden, UT, Oklahoma City, OK, and Montgomery, AL. A lights-dim approach with support for remote operations has been implemented at operating sites, which are now known as Processing Elements (PEs). The SMCs host system and network management, administration, monitoring, and technical support functions.

Consolidation of OS/390 and Unisys mainframe processing. DISA previously operated six mainframe processing sites, five of which supported OS/390 processing and three of which supported Unisys processing. Mainframe workload has been consolidated into three OS/390 (Mechanicsburg, PA, Ogden, UT, and St. Louis, MO) and two Unisys sites (Ogden, UT and Oklahoma City, OK) in conjunction with implementation of data mirroring and replication.

Server consolidation. DISA consolidated the Defense Finance and Accounting Service (DFAS) Server Phase I workload located at 7 DISA sites into 3 sites, successfully migrating 41 applications to 12 new servers and 8 reused servers.

Old Sites	DECC Columbus	Detachment Denver	Detachment Huntsville	Detachment Jacksonville	Detachment Rock Island	Detachment San Diego	Detachment Warner Robbins
New Sites	SMC Mechanicsburg	SMC Ogden	Prod Elmnt St. Louis				

Server model operating environment. As part of the development of a more mature server operating environment**,** DISA is introducing standard solutions to reduce the complexity of systems and database administration, and to reduce acquisition and support costs. These solutions are being established in cooperation with the business area's customers, who will target their development activities toward the standard server operating environment. For new customer applications, the computing centers will propose use of a standard software product for the particular function. For those applications using standard software and hardware, costs will be reduced due to economies of scale and increased efficiencies. Service contracts will be established with industry partners for provision of just-in-time processing capability based on the model environment.

Management Restructuring. DISA has restructured the organization and staffing of Defense Computing Services' headquarters and overhead functions to support the changed environment brought about by the other transformation initiatives. Overhead functions have been integrated and consolidated into a single virtual management organization, located primarily at existing headquarters locations.

Net-Centric Enterprise Services

This initiative involves supporting the infrastructure of the Global Information Grid. It is an acquisition program, approved in July 2004 for Milestone A, the purpose of which is to provide information sharing for the entire DoD. The Computing Services business area is providing the host environment for the initiative, so those costs are reflected in this budget as customer-funded

direct costs and some supporting indirect costs: FY 2005, $24.7 million, FY 2006, $38 million, and FY 2007, $42 million.

To be deployed on Defense networks, net-centric enterprise services will provide consolidated IT infrastructure, eliminating costly stove-piped systems, and once complete, will provide the joint warfighter with a single end-to-end capability to manage and monitor units, personnel, and equipment, from mobilization through deployment, sustainment, and demobilization. The Computing Services business area, which already provides computer processing for the full range of combat support functions, will contract for the necessary hosting environment (principally servers) which will serve as the portals into the web-based information systems.

Managed Services

To support some emerging customer requirements, the business area is adopting an approach called Managed Services. Under this concept, the Computing Services business area partners with private industry to provide the hardware and software capacity required. The business area then runs the operations for the customers. This approach is intended to allow DISA to take advantage of market efficiencies and flexibility, and to minimize costly investment in capital assets. Computing Services' dynamic server workload should be easily adaptable to this new approach, especially for new work that emerges during the execution year.

FISCAL YEAR 2006/7 OPERATING BUDGET

($ in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Revenue	**$558.3**	**$615.2**	**$669.0**	**$670.2**
Costs	**$575.2**	**$647.6**	**$700.6**	**$684.8**
Net Operating Results	**($16.9)**	**($32.4)**	**($31.6)**	**($14.6)**
Prior Year AOR	**$95.5**	**$78.6**	**$46.2**	**$14.6**
Ending AOR	**$78.6**	**$46.2**	**$14.6**	**$0**

MAJOR CHANGES BETWEEN FISCAL YEAR ESTIMATES

FY 2005 President's Budget Submission to FY 2005 Current Estimate

Cost of operations has increased by $38.9 million from $608.7 million in the 2005 President's Budget to a new total of $647.6 million in the current submission. Increased workload in the amount of $80.4 million is the principal driver of the increase. Of the $80.4 million, a total of $24.7 million is for the advent of the Net-Centric Enterprise Services workload, and an additional $15.7 million is for increased computing workload in the Unisys environment. New contracts under the Managed Services concept account for $8 million in new work, most notably for Military Health applications, Military Human Resources applications, and DLA's Business Systems Modernization program. The remaining increase is attributable to various areas such as

additional Military Health applications, technical support in the OS/390 operating environment, and for augmented help desk support.

Cost of operations decreases in a few areas, most notably depreciation expense by $28.8 million due to slower execution of the capital program as requirements were more specifically delineated. Accelerated attrition of civilians has also reduced salary costs faster than anticipated in the last President's budget by $8.4 million. Finally, the Transformation initiatives are costing about $10.6 million less than expected, principally in the areas of contractor labor, software purchases, and equipment costs due to careful and continuous requirements review.

FY 2005 Current Estimate to FY 2006

Cost of operations continues to increase between FY 2005 and FY 2006, by a net total of $53.1 million. New customer work under the Managed Services concept is estimated to increase by about $50.6 million for the same programs as FY 2005, i.e., Military Health, Military Human Resources, and Business Modernization applications. Net Centric Enterprise Service workload will also increase by about $13.3 million. We do expect a slight decrease in Operating System 390 workload in FY 2006 (and again in FY 2007), estimated at about $5.2 million for FY 2006.

Civilian personnel costs and other Transformation costs continue to decline in FY 2006 as implementation progresses, a total of $39.9 million. Partially offsetting these decreases are increased costs for headquarters support of $12.6 million as DISA implements cost sharing across the agency. Other increases include depreciation costs of $9.5 million, and initial implementation costs for the Defense Agency new accounting system solution of $3.6 million.

FY 2006 to FY 2007

Cost of operations is currently projected to decline slightly from FY 2006 to FY 2007, a total decrease of $15.9 million. This is mainly due to the completion of the Transformation initiatives, a decline of $18.0 million from FY 2006, but also due to reduced equipment maintenance costs ($7.2 million) as obsolete equipment is replaced and sites are consolidated in accordance with the Transformation plan. In addition, we anticipate a slightly reduced workload for the OS/390 environment ($5.8 million) and for Defense Logistics Agency's Business Modernization program ($6.5 million.)

CAPITAL INVESTMENT PROGRAM

($ in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Program Authority	**$72.7**	**$98.3**	**$98.3**	**$79.6**

FY 2005 President's Capital Budget Submission to FY 2005 Current Estimate

Facilities and communication infrastructure replacements. Facilities and infrastructure replacement requirements for the FY 2005 current estimate total $15.8 million. This is a $14.8 million increase from the FY 2005 President's Budget Submission due to Computing Services' Transformation implementation.

Optimization and replacement of mainframe systems. $11.0 million in FY 2005 in capital requirements are programmed for Z900 processors for life-cycle replacement and enhanced capability to complete the mainframe consolidation in the FY 2005 President's Budget and current FY 2005 estimate. A $7.8 million increase in capital requirements for OS/390 is a direct result of emerging customer requirements and new software technology to support Linux operations on a mainframe processor.

Optimization and replacement for server systems and executive software. The current FY 2005 estimate for capital programs is $27 million for the Military Health Systems and $8 million for Air Force Knowledge Systems. These initiatives are new customer workload for Computing Services. As a result of Global Information Grid Waiver Board direction, customers partnering with Computing Services have developed technical solutions for their combat processing support needs, some of which have been identified in the intervening period since submission of the FY 2005 President's Budget. Favorable consideration of this capital investment is recommended.

Wherever feasible, capital investment estimates for this budget submission have been developed with consideration of those requirements that can be fulfilled via a Managed Services approach. Thus far, one contract has been awarded for the Unisys platforms. During late FY 2005, Computing Services will begin the acquisition process for additional contracts by preparing its statements of work and performance requirements for the vendor community to provide the necessary services/solutions to support Computing Services processing requirements. While the process has begun in FY 2005, it is projected that the Managed Services concept will evolve over the next three fiscal years. Computing Services, working with the acquisition community, will strategically begin to develop the concept for server applications. However, it is anticipated that there could be multiple contracts supporting the Server Operating Environment. During FY 2006, Computing Services will also begin to transition additional mainframe requirements into the Managed Services environment.

FY 2006 and FY 2007 Current Capital Estimates

Even though Computing Services is moving towards a Managed Services concept, Computing Services will continue to require capital authority to support government-owned Server and mainframe operations until our Managed Services concept is mature and fully functional. Computing Services submitted for the FY 2006 budget $14 million to support replacement of old OS/390 technology with the new Z-900 Processors. In FY 2007, a minimal amount of $5 million is required to augment the Managed Services concept to ensure that the technical refresh is fully completed.

In response to dynamic growth in customer requirements, particularly in server operations, Computing Services will continue to provide support to its customers with the newest technology both in hardware and software. Computing Services has programmed $13 million in FY 2006 and $33 million in FY 2007 for Military Health Services to deploy their functionality further to the medical community. Also, Computing Services is continuing to support the Air Force Knowledge System and Integrated Framework by programming $5 million in FY 2006 and $3 million in FY 2007.

To ensure the Computing Services' infrastructure and communications are robust and fulfill the Assured Computing strategy, the business area is continuing to program for mechanical, plant, and facility capital investments. These investments include such things as chillers, pumps, cooling towers, fire protection systems, uninterrupted power supplies, and other facility improvements. Computing Services has concentrated its facilities projects into its Systems Management Centers (SMC) with only minor equipment replacement for the Processing Elements. To continually support the communications environment and the expanding bandwidth, the SMCs communication equipment will be refreshed as technology evolves. In this submission, Computing Services has programmed $41 million in FY 2006 and $36 million in FY 2007 to support this critical Assured Computing strategy.

CASH MANAGEMENT

Beginning in FY 2005, DISA has assumed managerial responsibility for its own cash position. The combination of increased customer demand and workload (particularly in the area of server support), equipment refreshment, and infrastructure improvements will require substantial capital authority in FY 2006 and FY 2007, generating significant capital disbursements. In addition, accumulated prior year gains will be returned to customers via reduced rates in FY 2006 and FY 2007, reducing cash. The combined outlays for prior year and future investments and reduced customer collections will be accommodated by prudent cash management and the cash transfer of $20.9 million in FY 2006 and $26.1 million in FY 2007 from DISA's Telecommunications/Enterprise Acquisition Services business area.

PERFORMANCE MEASURES

Information processing is key to information superiority and supporting the Global Information Grid as it creates a net-centric environment to enhance warfighter capabilities. These goals have guided Computing Services current initiatives, approved by the Deputy Secretary of Defense, to establish the right-sized operating organization. Assured Computing, a major goal of the transformation, will ensure availability to the customer in critical areas such as: facilities, equipment, communications, software and data. Besides unit costs that establish financial metrics in a revolving fund (as shown below in the rates table), Computing Services has operating metrics tied to the Department's strategic goals. Both of these categories of metrics have guided the development of this submission. Computing Services tracks its performance results through DISA Corporate Board Reviews, Internal Performance Reviews, Balanced Scorecard results, and annual customer surveys. The Balance Scorecard for Computing Services specifically reviews performance metrics, financial stability, and significant event milestones. Shown below are examples of Computing Services performance measures, revolving around system availability and responsiveness, that have driven budget development and been achieved:

- DISA will maintain the minimum capacity needed to meet funded customer workload.
- All peak workload requirements will be met while maintaining an average utilization of installed OS/390 capacity of at least 70%.
- Users will experience OS/390 and Unisys platforms availability of at least 98%.

RATES

The Computing Services budget has two basic methods of cost recovery: stabilized fixed rate and direct reimbursement. Rates are formulated to recover the total cost of operations, including direct and overhead costs. Also, in FY 2006 and FY 2007 prior year gains are returned to customers via reduced rates and [non-rate] direct reimbursements, a total of $31.6 million in FY 2006 and $13.8 million in FY 2007.

IBM	**FY 2005**	**FY 2006**	**FY 2007**
CPU HOURS (OS/390)	$22.9127	$19.0167	$18.6436
I/O EXCPs (OS/390)	$0.0269	$0.0272	$0.0268
DASD (OS/390)	$0.0061	$0.0042	$0.0040
TAPE MOUNTS (OS/390)	$0.3595	$0.5016	$0.5263
TAPE MB DAYS (OS/390)	$0.0007	$0.0004	$0.0004
DASD ASSURED COMPUTING	$0.0029	$0.0031	$0.0027
UNISYS			
SUPS UNISYS	$13.8535	$13.9254	$13.8952
DASD UNISYS	$0.0248	$0.0265	$0.0266
TAPE STORAGE (MB/Days)	$0.0013	$0.0015	$0.0015
SERVER			
WINDOWS OPERATING ENVIRONMENT MONTH (WOE)			$2,699.0403
WINDOWS OPERATING ENVIRONMENT MONTH (WOE) – DFAS			$2,626.5136
UNIX OPERATING ENVIRONMENT MONTH (UOE)			$5,163.3125
UNIX OPERATING ENVIRONMENT MONTH (UOE) – DFAS			$4,633.5418
Server ENTERPRISE USAGE BASED*			
ENTERPRISE-CLASS (e.g. Superdome) CPU			$1.0051
ENTERPRISE-CLASS I/O			$0.0040
PACKETS/1,000 MPAC			$0.0216

The O/S390 assured computing service is an initiative designed to ensure that data is continuously available to the warfighter, as discussed above. The method of cost recovery for this transformation initiative is displayed as DASD Assured Computing. The rate is calculated by dividing the DASD workload by the annual data replication cost.

In this budget submission, DISA is introducing stabilized and enterprise usage rates for Server Operations**.** In FY 2006 the rates will be notional only, while in FY 2007 they will be used as the basis for customer reimbursement**.** The stabilized server rates are composed of direct labor,

software, and hardware. Labor costs are calculated based on systems administrators and database administration per the number of instances of operating environments each will support. Software cost includes the development of standard software suites for all Unix and Windows NT applications. A hardware matrix is used to estimate cost, and appropriate hardware is selected based on the application's requirements. The enterprise usage rate will be used for developing pricing for Enterprise class, such as HP Superdome, servers. This usage-based rate will be the total cost divided by measurable usage output.

CIVILIAN PERSONNEL

($ in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Civilian End-Strength	**1,687**	**1,503**	**1,578**	**1,615**
Civilian Full Time Equivalents	**1,952**	**1,803**	**1,578**	**1,615**
Civilian Labor Cost	**$179.3**	**$173.2**	**$161.3**	**$152.5**

Over the past twelve years, DISA has achieved significant personnel reductions through various management initiatives. From a FY 1992 baseline of 9,652 through the FY 2007 estimate of 1,615, DISA is estimating staffing level reductions of approximately 83%. Consolidations of systems management functions, server operations, and mainframe operations and other Transformation initiatives undertaken for greater efficiency, are ongoing during this budget period. The civilian labor cost estimates, shown above, include voluntary separation incentive pay, voluntary early retirement pay, severance pay, and terminal leave for DISA's planned Transformation reductions. These costs are approximately $5 million in FY 2004, $16 million in FY 2005, $18 million in FY 2006, and $2 million in FY 2007. This submission does reflect an increase in FY 2005 of 167 end strength compared to the FY 2005 President's Budget. This increase, as well as the increase of 112 from FY 2005 through FY 2007, is the direct result of increased customer requirements, primarily in the Server lines of business, and the additional workload driven by implementation of Net-Centric Enterprise Services (NCES).

MILITARY PERSONNEL

($ in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Military End Strength	**4**	**5**	**3**	**2**
Military FTEs	**4**	**5**	**3**	**2**
Military Labor Cost	**$1.2**	**$.9**	**$.4**	**$.4**

The reduction which begins in FY 2006 and continues through the outyears reflects the DoD initiative to convert some positions now manned by military personnel to civilian positions. The business area is absorbing the reduction without civilian replacement.

Changes in the Costs of Operations
Component: Defense Information Systems Agency
Activity Group: CS
February, 2005
(Dollars in Millions)

FY 2004	Actual	575.2
FY 2005	Estimate in President's Budget	608.7
	Pricing Adjustments:	
	FY 2005 pay raise greater than President's Budget	2.5
	Program Changes:	
	Augmented help desk support, additional support of Military Health programs, additional tech support for OS/390	32.0
	Net-Centric Enterprise Service (NCES) new work	24.7
	Increased Unisys workload	15.7
	Increased workload for Defense Integrated Military Human Resources system (DIMHRS), and DLA's Business Systems Modernization (BSM)	8.0
	Other Changes:	
	Depreciation	(28.8)
	Reduced transformation costs	(10.6)
	Efficiencies and accelerated civilian attrition	(8.4)
	Audit costs	3.8
FY 2005	Current Estimate	647.6
	Pricing Adjustments:	
	Non-labor inflation	4.8
	Civilian/Military pay raise	3.0
	Annualization of Civilian/Military pay raise	1.5
	Program Changes:	
	Reduced transformation costs	(22.2)
	Reduced labor costs due to site consolidation and restructuring	(17.7)
	Reduced OS/390 workload	(5.2)
	Additional support of Military Health programs, and increased workload for DIMHRS and DLA's BSM	50.6
	Increased NCES workload	13.3
	Implementation of standard accounting system	3.6

Changes in the Costs of Operations
Component: Defense Information Systems Agency
Activity Group: CS
February, 2005
(Dollars in Millions)

	Other Changes:	
	Headquarters support cost allocation	12.6
	Depreciation	9.4
	Miscellaneous	(0.8)
FY 2006	Estimate	700.6
	Pricing Adjustments:	
	Non-labor inflation	8.0
	Civilian/Military pay raise	2.8
	Annualization of Civilian/Military pay raise	0.9
	Program Changes:	
	Reduced transformation costs	(18.0)
	Equipment maintenance	(7.2)
	Reduced workload for DLA's Business System Modernization	(6.5)
	Reduced OS/390 workload	(5.8)
	Reduced costs for implementation of standard accounting system	(2.1)
	Increased NCES workload	4.0
	Other Changes:	
	Depreciation	4.7
	Miscellaneous	3.4
FY 2007	Estimate	684.8

Source of New Orders and Revenue
Component: Defense Information Systems Agency
Activity Group: Computing Services
February, 2005
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components				
Air Force Appropriated	84.8	66.6	75.1	72.0
Army Appropriated	25.0	20.7	27.6	27.0
Navy and Marine Corps Appropriated	34.3	36.1	30.6	29.8
DISA Appropriated	18.2	40.7	59.2	63.2
Other DoD	51.9	124.8	136.7	160.0
b. Orders from Other Fund Activity Groups				
Airforce - Working Capital	90.3	73.1	85.7	82.3
Army - Working Capital	11.3	7.3	9.7	9.5
Navy - Working Capital	30.3	35.4	33.3	31.8
DISA - Working Capital	5.0	9.0	11.1	10.5
DFAS	142.7	152.6	137.8	142.3
DLA	55.8	49.1	62.2	41.8
c. Total DoD	549.7	615.2	669.0	670.2
d. Other Orders				
Other Federal Agencies	0.0	0.0	0.0	0.0
Other Non-Federal	9.4	0.0	0.0	0.0
Total New Orders	559.2	615.2	669.0	670.2
2. Carry In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	559.2	615.2	669.0	670.2
4. Other Income	(0.9)	0.0	0.0	0.0
5. Revenue	558.3	615.2	669.0	670.2
6. End of Year Work in Process	0.0	0.0	0.0	0.0
7. Direct Contract Obligations	0.0	0.0	0.0	0.0
8. Non-DoD, BRAC, FMS, and DWCF Orders	0.0	0.0	0.0	0.0
9. Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0	0.0
10. Months of Carry-Over	0.0	0.0	0.0	0.0

Revenue and Expenses
Component: Defense Information Systems Agency
Activity Group: Computing Services
February, 2005
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue				
Gross Sales				
Operations	525.5	547.9	592.3	588.8
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation Excluding Major Construction	33.6	67.3	76.7	81.4
Major Construction Depreciation	0.0	0.0	0.0	0.0
Other Income	(0.9)	0.0	0.0	0.0
Refunds/Discounts(-)				
Total Income	558.3	615.2	669.0	670.2
Expenses				
Salaries and Wages:				
Military Personnel Compensation & Benefits	1.2	0.9	0.4	0.4
Civilian Personnel Compensation & Benefits	179.3	173.2	161.3	152.5
Travel & Transportation of Personnel	4.2	4.1	4.0	3.9
Materials and Supplies	3.8	4.5	4.2	4.3
Equipment	15.8	37.3	36.2	35.6
Other Purchases from Revolving Funds	35.7	39.2	34.0	34.2
Transportation of Things	0.1	0.1	0.1	0.1
Depreciation Capital	33.6	67.3	76.7	81.4
Rent, Communications, Utilities, & Misc. Charges	6.7	4.3	4.2	4.2
Printing and Reproduction	0.4	0.2	0.2	0.2
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Other Purchased Services	294.3	316.5	379.3	368.1
Total Expenses	575.2	647.6	700.6	684.8
Operating Result	(16.9)	(32.4)	(31.6)	(14.6)
Less Capital Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Passthroughs and Other Appropriations Affecting NOR	0.0	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0	0.0
Net Operating Result	(16.9)	(32.4)	(31.6)	(14.6)
Prior Year AOR	95.5	78.6	46.2	14.6
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result	78.6	46.2	14.6	0.0
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result for Budget Purpose	78.6	46.2	14.6	0.0

DEPARTMENT OF DEFENSE
DEFENSE INFORMATION SYSTEMS AGENCY

DEFENSE WORKING CAPITAL FUNDS
TELECOMMUNICATIONS SERVICES/ENTERPRISE ACQUISITION SERVICES

FY 2006-2007 PRESIDENT'S BUDGET

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

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

- Defense Information Systems Network (DISN) Services
- Reimbursable Telecommunication Contracts
- Enterprise Acquisition Services

TS/EAS provide a single source for high quality, reliable, survivable, and secure telecommunications services for Defense command and control. TS/EAS is also an ideal source for procurement of best-value and commercially competitive information technology, as well as voice, data, and video services. The Enterprise Acquisition Services portion of the business area provides outstanding contract vehicles for information technology and telecommunications. Overall, TS/EAS provides the lowest possible customer price through bulk quantity purchases, economies of scale, and reengineering of current communication services.

Defense Information Systems Network (DISN) Services:

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

- **Transmission Services** provide a robust worldwide capability of day-to-day voice, video, data and message transmission for the Combatant Commanders, Military Departments and Defense Agencies.
- **Data Services** will accommodate continuing demands in growth through the migration of service networks such as the Gigabyte Switched Routers to Data Services. Data Services also provide secure Internet protocol router network as well as non-classified Internet protocol router network capabilities.
- **Voice Services** provide day-to-day commercially competitive services plus unique secure military requirements. Voice Services includes the operation of the Defense Switched Network, Hawaii Information Transfer System, Enhanced Mobile Satellite System, and Defense Red Switch Network.
- **Video Services** provide both routine and classified day-to-day video teleconference capabilities for the Department of Defense.
- **Messaging Services** provide day-to-day organizational messaging for the DoD. The network provides Top Secret, Secret and Unclassified messaging capabilities using four regional Security Operations Centers.

DISA also provides government and contract engineering, modeling, simulation and assessment, and system control resources to support the requirement-specific, operational DISN networks. In addition, DISA operates a commercial satellite system which augments military satellite systems.

Driven by both evolving technology, and rapidly increasing customer requirements, the DISN become part of the Department's transformation initiatives. Its current fee-for-service paradigm is complicated and did not encourage data sharing-- a Departmental goal. The current methodology was reviewed to ensure its cost recovery mechanisms supported enterprise–level communications and the creation of a net-centric environment. As a result of the review, this request proposes a simplified pricing structure focused on bandwidth capacity and packages of services rather than usage. It addresses Congressional concerns by eliminating the two-tiered pricing approach, increasing cost visibility and incentivizing customer use. Treating the DISN as a major combat-support acquisition recognizes the integral role it plays in supporting the warfighter and allows adoption of a DISN investment strategy consistent with other Departmental acquisitions and lifecycle replacement processes. The resourcing of investments moves to procurement account funding while the true costs of operations (now excluding depreciation) remain in the DWCF. This revised approach provides the customer with streamlined combinations of services and bandwidths to choose from. Each combination has a single annual/monthly price to simplify reimbursement.

The new rate structure replaces the old method, which included many thousands of individual service rates. Under the new structure, customers at about 400 world wide sites (plus an additional 1600 sites with access to the system) will choose a bandwidth and associated package of services, and will reimburse the business area for a chosen subscription, which will be billed on the basis of a price per share. There are five categories of service, and four bandwidth sizes, for a total of twenty possible subscription rates. The five categories of service are as follows:

1. Transport of intelligence information.

2. Mission Essential, which included secure and non-secure internet access, the Defense Switched Network, the Defense Messaging Service, and video service.
3. Command and Control, which includes the above services plus dual access to the system.
4. Command and Control Plus, which includes the above services plus Joint World-wide Intelligence Communications Service and/or the Defense Red Switched Network.
5. C2ISR, which includes all services.

The four sizes of bandwidth are small, medium, large and mega. The customer chooses the array of services and the appropriate bandwidth size for the volume of information expected. The cost of each combination reflects a weighted number of shares that is multiplied by the base share price:

FY 2006 Cost per Share: $101,741
FY 2007 Cost per Share: $ 96,774

The core telecommunications services provided by this business area are listed in Table 1:

Table 1:
Components of the Defense Information Systems Network

Core Services included in Shares Pricing	**Supporting Programs/Networks**
Voice Services	• Defense Switched Network • Defense Red Switch Network
Data Services	• Internet Protocol Routers • Secure and Non-secure Internet access
Message Service	• Defense Messaging System
Video Services	• Defense Video Teleconferencing Network
Transmission Services	• Dedicated Transmission Network • Caribbean Transmission Network • Pacific Transmission Network • European Transmission Network • Continental US Transmission Network • Southwest Asia Transmission Network • Asynchronous Transfer Mode • Joint Worldwide Intelligence Communications System
Reimbursable Services	**Supporting Programs/Networks**
Requirement-Sepecific	• Hawaii Information Transfer System • Commercial Satellite Service Office (CSSO) • Gigabit Switched Routers (GSR) (shifted to Data Services after 2005) • Enhanced Mobile Satellite Service (access charge + actual usage)

In order to enhance operations, the DISN is optimizing the transport structure. A migration of 632 point-to-point transmission circuits from SONET service to DISN Asynchronous Transfer Mode Service Delivery Node is underway. This migration will allow the elimination of a large number of access circuits and make optimum use of existing capacity. This will reduce the number of circuits requiring transition to a new contract. Contracts such as the current DISN Access Transport Services expire in August 2005. The new contract vehicle will be used to acquire leased point-to-point bandwidth that will be used to build-out a transmission topology optimized around the GIG-BE communications footprint. Starting in FY 2005, all continental U.S. transmission offerings will be managed as a single service. This change will ensure closer integration of the technical infrastructure used to provide framed (time-division multiplexed) and fractional low- and high-speed bandwidth services. The current contract providing global video services will also expire in FY 2005. The new vehicle will be focused on meeting increased customer demand. The data program (providing secure and non-secure Internet access) is projected to grow with increased customer demand and convergence with Internet Protocol. Usage is shifting to fractional megabit connection speed and increased interaction with the Internet. Similarly, increased workload is projected for the DISN voice services with increased operating tempo throughout the Department of Defense.

DISN Reimbursable Services

The DISN provides a number of services that are targeted to specific customers and their unique requirements. While most of these services will be incorporated into the DISN revised pricing structure in FY 2006, several will remain outside of it. For these activities, customers are billed for the costs incurred to meet the customer requirement. Telecommunications support in Kosovo and Bosnia will remain cost reimbursable. The same is true for selected costs associated with Southwest Asia operations. The costs of continuing telecommunications operations in Bosnia, Kosovo and Southwest Asia (reimbursed by DISA contingency funds) is $96 million per year. This amount is included in this submission for FY 2005 - 2007. These costs support the build-out and sustainment of communications infrastructure, to include service leases, non-capital equipment purchases, and the maintenance of network management and operations staffs. Commercial Satellite and the Enhanced Mobile Satellite System (EMSS) remain DWCF cost reimbursable services due to their targeted non-terrestrial mission. The Hawaii Intersystem Transfer System is a unique network that supports post, camp, and station customers, as well as on-island communications, rather than long-haul communications. Starting in FY2006, the Gigabyte Switched Routers Program, which primarily supports the Navy, will be rolled into the Data Services (outlined above) cost structure. This allows more efficient management as the deployment of the Navy/Marine Corps Internet system decreases workload. Overall, costs are stable in these areas for the period FY 2005 – 2007 with one exception. Commercial Satellite System workload and costs are projected to decline in FY 2006 and FY 2007 as selected customers pursue alternative sources.

Reimbursable Telecommunications Services

In addition to the DISN, the Telecommunications Services budget provides a wide variety of cost-reimbursable telecommunications contracts for the Department of Defense community and other approved organizations. These contracts are treated as a "pass-through" expense to the Fund and mainly support Europe, Alaska, and Pacific for local unsecured telephone service. This area also includes the reimbursement for DoD-wide telephone service provided by the Federal Telephone System.

Enterprise Acquisition Services

Enterprise Acquisition Services encompasses a variety of support services to meet DoD information technology contract requirements. Large contract vehicles are available for many essential services: engineering; hardware, equipment and maintenance; integration and support; information security; and computer technology. The mission of Enterprise Acquisition Services also includes acquisition planning, procurement, and contract administration; accounting and vendor payment; customer billing and tariff issues.

OPERATING BUDGET

Operating Budget Summary

$'s in millions	FY 2004	FY 2005	FY 2006	FY 2007
Revenue	3,222.7	3,398.5	3,313.6	3,326.6
Costs	3,164.2	3,412.2	3,389.7	3,389.8
Net Operating Result NOR	58.5	(13.7)	(76.1)	(63.2)
Other Changes Affecting AOR	-0-	-0-	-0-	-0-
Accumulated Operating Results	153.0	139.3	63.2	-0-

MAJOR CHANGES BETWEEN FISCAL YEARS

FY 2005 President's Budget Submission to FY 2005 Current Estimate

The current estimate for FY 2005 cost of operations is $3,412.2 million, and increase of $597 million more than the FY 2005 President's Budget Submission. By far the largest part of this increase is the additional $529.2 million for additional contracting services workload for non-DISA managed reimbursable telecommunication services. These are cost reimbursable contracts where the costs incurred equal the revenue except for a modest contract administration charge. The increase in FY 2005 reflects FY 2004 actual experience. The increased volume of contracting services is projected due to continued contingency operations and increased customer service effectiveness. The number and flexibility of contracting vehicles has also enhanced DISA's attractiveness as a contracting services provider.

The Global Information Grid – Bandwidth Extension (GIG-BE) is projected to incur $33.4 million in sustainment costs for personnel, hardware and software as it reaches its Initial Operating Capability in FY 2005. Transmission access costs for new users of the DISN's expanded capabilities also increase cost of operations by $14.4 million in FY 2005. The inclusion of $70.0 million for the Enhanced Mobile Satellite System (EMSS) in the DWCF will also increase costs. (In FY 2004, EMSS was treated as a reimbursable program within DISA's appropriated budget.) Some additional workload for Commercial Satellites is anticipated (+$6.1 million), and overhead costs have been increased by $10.4 million for audit costs in order to meet the Department's goal of accurate and complete financial statements. These increases are offset by reduced costs of $20.1 million due to optimization of the transport structure, specifically for Asynchronous Transfer Mode (ATM) transmission service and for transmission costs for Europe. The budget estimate also reflects management-directed efficiencies for contractor support costs for data, voice, and video services for a total cost reduction of $51.6 million.

FY 2005 Estimate to FY 2006 Estimate

Costs will level off in FY 2006. The estimate of $3,389.7 million will be a decrease of $22.5 million from FY 2005. The cost decline is driven by the beginning of significant DISN productivity gains resulting from network optimization and maximized use of DISN's enhanced capabilities. Nonrecurring costs associated with transitioning from older technology to new are shifted to appropriated funds, allowing for a $41.4 million reduction of costs in the working capital fund. Optimization of the DISN (chiefly due to reduced circuitry costs) allow for cost reductions of $49.4 million. Since the GIG-BE initiative will be at Full Operational Capability in FY 2006, sustainment costs will increase $48.2 million. This increase will bring GIG-BE sustainment costs up to the level required for total sustainment ($82 million per year). This budget also reflects an additional $15.0 million for extension trunks for non-GIG-BE sites.

Commercial Satellite System workload is projected to decline due to a Navy commercial satellite initiative which will reduce costs by $30.6 million. Another significant area of reduced expense in FY 2006 is for depreciation costs ($22.7 million), because future investment costs for the DISN are budgeted in appropriated procurement accounts, rather than in the DWCF capital budget. The remaining areas of cost increases include +$8.6 million for JWICS noncapitalized equipment purchases, and slight increases in customer demand for Defense Red Switched Network and Defense Message System. Costs also increase slightly to support a new accounting system and increased support for auditing to meet DoD mandates, +$2.9 million. Overhead costs also reflect a reimbursement of $9.0 million for headquarters support, partially offset by reduced special projects costs of $5.0 million.

FY 2006 Estimate to FY 2007 Estimate

Costs continue to remain stable in FY 2007 in line with the FY 2005 and FY 2006 levels. The total estimated cost of operation is $3,389.8 million. Continued increases in DISN optimization will reduce costs by an estimated $47.5 million. Operations and maintenance costs for the voice system are projected to decline by $7.4 million, and Commercial Satellite System workload is projected to continue to decline $11.0 million in line with projected decreased customer demand.

Depreciation expenses, as in FY 2006, again decline by a total of $5.3 million, as equipment which reaches the end of its useful life is replaced using appropriated versus DWCF capital funds.

CASH MANAGEMENT

Beginning in FY 2005, DISA will assume managerial responsibility for this business area's cash management. TS/EAS cash position will be impacted by several factors. Disbursements for FY 2005 capital investments (delayed as the DISN was reviewed) supporting critical DISN infrastructure requirements will begin to draw down cash starting in FY 2005 as will the return of accumulated prior year gains to TS/EAS' customers in FY 2006 and FY 2007. TS/EAS cash requirements will decrease in FY 2006 and FY 2007 as new DISN investments are funded with appropriated procurement dollars. Sufficient TS/EAS cash is available for operations in FY 2006 and FY 2007 and for modest transfers ($20.9 million in FY 2006 and $26.1 million in FY 2007) to DISA's Computing Services business area to pay customer-driven capital investment disbursements.

CAPITAL INVESTMENT PROGRAM

Table 4: Capital Budget Summary

$ in Millions	FY 2004	FY 2005	FY 2006	FY 2007
TS/EAS	71.7	51.6	9.0	1.0

The FY 2005 capital program reflects some changes at the project level since the FY 2005 President's Budget. The majority of the change reflects the realigning of FY 2005 funds for the CONUS Multi-Function Switches, the Hawaii Inter-Island Transfer System (HITS) Multi-Function Switches, and Timing and Synchronization. Resizing and repricing of these initiatives has created excess funding that can be applied to fund technical refreshment of priority equipment and provide additional trunking capability. This equipment will include optical transport system terminals, Optical Digital Cross Connect nodes, bulk encryption and Multi-Service Provisioning Platform interfaces. Additional funds are also being shifted to the Enterprise Business Modernization (EBM) system due to repricing of the requirements. This initiative will replace existing legacy systems and streamline the associated acquisition process. The system will provide increased functionality for collecting user purchase requirements, order management, and reporting. An environment of increased data visibility and data retrieval will be created. An operational support system will address the high volume of acquiring recurring circuit transactions.

The FY 2006 and FY 2007 budget request for capital improvement reflects the funding shift for investment in the DISN from DWCF Capital Program to appropriated procurement accounts. The request of $9.0 million for FY 2006 includes the final $5.2 million costs to complete the Enterprise Business Management COTS purchase begun in FY 2005. The use of spiral deployment, revised requirements definition and the need for a niche market solution led to revised program costs. The capital program request also includes funding of $2.7 million in FY 2006 and $0.5 million in FY2007 to finance a new accounting system to replace the current

one. DISA will be using a Defense Agency solution based on a COTS product. The new system will comply with DoD Comptroller direction to implement a system compliant with the Joint Financial Management Improvement Plan. Finally, three minor construction projects are also reflected in the budget request, $0.4 million in FY 2006 and $0.5 million in FY 2007.

LINES OF BUSINESS COSTS

In April 2004, an Enhanced Planning Process (EPP) working group comprised of DISA, DoD Comptroller, Program Analysis and Evaluation, JCS, Service, and Defense Agency representatives were tasked to review DISA's DISN pricing and governance structures. As part of the EPP, rates for the DISN lines of business were reviewed. Currently (and through FY 2005), DISA has billing rates for the Data Services, Transmission, Video and Voice lines of business. These rates are primarily workload driven and unit-based, i.e., number of minutes. The remainder of the costs are cost reimbursable where the amount billed equals the cost of providing the service. Based on the results of the EPP, this approach will change starting in FY 2006. Under the new approach, customers will order levels of service and bandwidth. Each service level and bandwidth category will have a separate cost. Under this new approach, the charge will be based on capacity, not usage. Packages of service and bandwidth are defined, then weighted and multiplied by a stabilized per share rate to calculate the annual billable amount. This approach significantly reduces the number of billing rates.

Provided below are summary lines of business with associated costs that will make up the costs of the Telecommunications Services/Enterprise Acquisition Services business area. The costs shown for DISN Terrestrial provide the lines of business that will generally be contained in the DISN packet structure beginning in FY 2006. Also, Tier 1 costs of about $156 million are distributed to the benefiting lines of business beginning in FY 2006.

Table 5: Lines of Business Operating Costs

Program ($ in millions)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Transmission	130.9	240.1	218.8	173.0
Data Services	194.4	192.0	340.2	351.7
Video	21.8	27.9	28.6	29.1
Voice	131.7	128.3	161.6	155.8
Reimbursable	375.3	373.2	0	0
Requirement-Specific Programs	-	-	164.5	168.7
DISN Terrestrial/Subscription	***854.1***	***961.5***	***913.7***	***878.3***
Continuing military operations	71.0	96.3	96.5	96.8
Commercial Satellite	205.2	205.7	179.0	167.4
Enhanced Mobile Satellite System	0	69.9	74.4	79.3
Enterprise Acquisition Contracting Services	1,064.7	1,118.7	1,146.7	1,168.1
Enterprise Acquisition Telecom Contr Svcs	969.6	960.1	979.4	999.9
TSEAS Total	***3,164.2***	***3412.2***	***3,389.7***	***3,389.8***

PERFORMANCE MEASURES

Telecommunications, both terrestrial and satellite, are key to information superiority and supporting the Global Information Grid as it creates a net-centric environment to enhance warfighter capabilities. DISA's ability to meet the warfighter's requirements in a surge environment has been repeatedly demonstrated in Southwest Asia. The continued capability to meet these requirements is the focus of the operation of the DISN and the operational integration of the Global Information Grid Bandwidth Expansion. These efforts, which have guided this budget's development, support the Department's goal of bandwidth availability. DISN has been a focus of transformation during the Department's review of its pricing structure. The result is a methodology which will simplify pricing and incentivize use. Besides pricing measures (share price) that establish financial metrics in a revolving fund, TS/EAS has operating metrics tied to the Department's strategic goals. These operational metrics include the cycle time for delivery of data and satellite services as well as service performance objectives such as availability, quality of service and security measures. Both of these categories of metrics have guided the development of this submission. TS/EAS tracks its performance results through DISA Corporate Board Reviews, Internal Performance Reviews (IPR), Balanced Scorecard results, and annual customer surveys. The Balanced Scorecard specifically reviews performance metrics, financial stability, and significant event milestones. Shown below are examples of TS/EAS performance measures contained in the PART, revolving around system availability and latency, that have driven budget development and been exceeded:

Non-Secure Internet Protocal Router Network access circuit availability:

Target: 98.5 %

Secure Internet Protocal Router Network latency (speed of the network) in the continental United States:

Target: Not to exceed 100 milliseconds

CIVILIAN PERSONNEL

Table 7: Civilian Personnel

Telecommunications Services/ Enterprise Acquisition Services	FY 2004	FY 2005	FY 2006	FY 2007
Civilian End Strength	520	608	610	610
Civilian FTE	508	579	595	595
Civilian Personnel Cost ($M)	$40.7	$48.7	$51.3	$53.0

The civilian personnel budget is experiencing growth in FY 2005 due to an expansion of provisioning and messaging functions. In addition, increased NIPRNET network management workload at DISA CONUS reflecting increased customer usage will require an additional 23 end strength to prevent operational degradation. In addition, support of Defense Messaging System

operations such as the Network Information Center and Customer Call Center will be accomplished with 26 government employees versus contractors. After increasing in FY 2005 due to additional workload, civilian personnel levels remain stable for the FY 2006/2007 time period.

MILITARY PERSONNEL

Reimbursable military billets assigned to the business area increase slightly in FY 2005 for personnel supporting telecommunications provisioning and contract services located at the Scott Air Force Base, Illinois. FY 2005 costs reflect those approved in the FY 2005 President's Budget. Fiscal Year 2006 and FY 2007 reflect decreases associated with the Department's initiative to free up military personnel for warfighting duties, replacing with civilians as necessary. Table 9 provides a synopsis of military personnel levels and costs.

Table 8: Military Personnel

Telecommunications Services/ Enterprise Acquisition Services	FY 2004	FY 2005	FY 2006	FY 2007
Military End Strength	33	34	26	26
Military Workyears	26	34	26	26
Military Personnel Cost ($M)	$2.3	$2.3	$1.8	$1.9

Changes in the Costs of Operations
Component: Defense Information Systems Agency
Activity Group: TSEAS
February, 2005
(Dollars in Millions)

FY 2004	Actual	3,164.2
FY 2005	Estimate in President's Budget	2,815.2
	Pricing Adjustments:	
	Additional labor and non-labor price growth	20.9
	Program Changes:	
	DISN optimizing transport (ATM and Transmission Europe)	(20.1)
	Management directed efficiency: reduced Contractor support costs	
	- Data Services	(22.1)
	- Voice	(22.2)
	- Video	(7.3)
	SWA Contingency costs	(9.8)
	Non-DISA Managed Contracting Services	529.2
	EMSS	70.0
	GIG-BE Sustainment	33.4
	Transmission Access: new GIG-BE users	14.4
	Increased Commercial Satellite work	6.1
	Other Changes:	
	Reduced Depreciation costs	(8.2)
	Audit costs	10.4
	Miscellaneous	2.3
FY 2005	Current Estimate	3,412.2
	Pricing Adjustments:	
	Annualization of Civilian/Military pay raise	0.4
	Civilian/Military price growth	0.9
	Non-labor price growth	66.2
	Program Changes:	
	DISN: additional infrastructure optimization (reduced circuitry)	(49.4)
	DISN non-recurring transition costs shifting to appropriated funds	(41.4)
	Reduced Commercial Satellite workload	(30.6)
	Gigabit Switched Router (GSR): data infrastructure optimization	(22.0)
	GIG-BE Sustainment	48.2
	CONUS Extension trunks to non-GIG-BE sites	15.0

Changes in the Costs of Operations
Component: Defense Information Systems Agency
Activity Group: TSEAS
February, 2005
(Dollars in Millions)

	JWICS non-capitalized equipment	8.6
	Implementation of standard systems/Audit costs	2.9
	Defense Red Switch Network (DRSN)	2.8
	Defense Message System (DMS) National Gateway	2.4
	Other Changes:	
	Change in Depreciation	(22.7)
	Reduced special projects: overhead	(5.0)
	Voice network: reduced contractor support costs (management efficiency)	(3.5)
	Headquarter cost allocation	9.0
	Miscellaneous	(4.3)
FY 2006	Estimate	3,389.7
	Pricing Adjustments:	
	Annualization of Civilian/Military pay raise	0.3
	Civilian/Military price growth	0.9
	Non-labor price growth	69.2
	Program Changes:	
	DISN optimization/reduced transmission costs	(47.5)
	Commercial Satellite	(11.0)
	Voice network operations/maintenance	(7.4)
	Reduced costs for implementation of standard systems	(2.1)
	JWICS	0.6
	Other Changes:	
	Depreciation	(5.3)
	Miscellaneous	2.4
FY 2007	Estimate	3,389.8

Capital Budget Execution
Component: Defense Information Systems Agency
Activity Group: TSEAS
February 2005
(Dollars in Millions)

Projects on the FY 2006/2007 President's Budget

FY	Approved Project	2005 PB	Reprogrammings	Approved Proj. Cost	Current Proj. Cost	Asset/Deficiency	Explanation
FY 2005	Telecom Inventory & Billing Application	1.304	0.000	1.304	1.010	0.295	
	Enterprise Business Modernization	9.500	0.000	9.500	10.495	(0.995)	
	Automated Workflow	0.693	0.000	0.693	0.693	0.000	
	Telecom Services Management	0.000	0.000	0.000	0.000	0.000	
	Router Deployment	0.000	0.000	0.000	0.000	0.000	
	IP Core Network Expansion	0.000	0.000	0.000	0.000	0.000	
	2nd & 3rd Wing Enclosure	0.000	0.000	0.000	0.750	(0.750)	
	Command Section VTC Room	0.000	0.000	0.000	0.175	(0.175)	
	HVAC & Electrical Upgrade for RNOSC	0.000	0.000	0.000	0.000	0.000	
	JHITS	4.428	0.000	4.428	0.000	4.428	
	CONUS Multi-function switch upgrade	18.700	0.000	18.700	0.000	18.700	
	Signal Transfer Points	2.720	0.000	2.720	2.720	0.000	
	Digital Comm. Multi. Equipment	9.750	0.000	9.750	0.000	9.750	
	Major Upgrades/Technology Refresh	0.000	0.000	0.000	0.000	0.000	
	Timing and Synchronization	4.500	0.000	4.500	0.000	4.500	
	Pac Transmission Tech Refresh	0.000	0.000	0.000	7.280	(7.280)	
	CONUS Multiplexer ScreamLink Units	0.000	0.000	0.000	0.800	(0.800)	
	SWA New Sys Initiatives	0.000	0.000	0.000	3.450	(3.450)	
	Europe Transmission Expansion	0.000	0.000	0.000	24.200	(24.200)	
	Supplement DVS-G Bridge with mini-hubs	0.000	0.000	0.000	0.000	0.000	
	Total FY 2005				**51.573**		

Source of New Orders and Revenue
Component: Defense Information Systems Agency
Activity Group: TSEAS
February, 2005
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components				
Air Force Appropriated	515.9	533.0	581.1	580.8
Army Appropriated	450.4	490.1	547.6	544.5
Navy and Marine Corps Appropriated	280.4	275.9	265.6	265.4
DISA Appropriated	742.0	793.9	622.0	625.2
Other DoD	319.7	326.2	315.7	308.2
b. Orders from Other Fund Activity Groups				
DFAS	7.9	9.9	9.2	9.2
DLA	19.1	29.6	31.4	31.7
Defensewide - Working Capital	41.0	0.0	0.0	0.0
Computing Services	397.9	428.8	433.3	443.3
c. Total DoD	2,774.3	2,887.4	2,805.9	2,808.3
d. Other Orders				
FAA	191.5	197.5	200.0	204.1
Other Federal Agencies	253.0	285.0	281.1	287.5
Other Non-Federal	7.8	28.6	26.6	26.7
Total New Orders	3,226.6	3,398.5	3,313.6	3,326.5
2. Carry In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	3,226.6	3,398.5	3,313.6	3,326.5
4. Other Income	(3.9)	0.0	0.0	0.0
5. Revenue	3,222.7	3,398.5	3,313.6	3,326.5
6. End of Year Work in Process	0.0	0.0	0.0	0.0
7. Direct Contract Obligations	0.0	0.0	0.0	0.0
8. Non-DoD, BRAC, FMS, and DWCF Orders	0.0	0.0	0.0	0.0
9. Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0	0.0
10. Months of Carry-Over	0.0	0.0	0.0	0.0

Revenue and Expenses
Component: Defense Information Systems Agency
Activity Group: TSEAS
February, 2005
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue				
Gross Sales				
Operations	3,209.2	3,368.1	3,306.0	3,324.3
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation Excluding Major Construction	17.4	30.4	7.6	2.3
Major Construction Depreciation	0.0	0.0	0.0	0.0
Other Income	(3.9)	0.0	0.0	0.0
Refunds/Discounts(-)				
Total Income	3,222.7	3,398.5	3,313.6	3,326.6
Expenses				
Salaries and Wages:				
Military Personnel Compensation & Benefits	2.3	2.3	1.8	1.9
Civilian Personnel Compensation & Benefits	41.3	49.4	52.0	53.7
Travel & Transportation of Personnel	2.2	2.5	2.7	2.8
Materials and Supplies	73.1	85.3	87.0	88.8
Equipment	129.7	119.2	132.2	133.8
Other Purchases from Revolving Funds	8.8	9.7	9.3	8.7
Transportation of Things	0.0	0.1	0.1	0.1
Depreciation Capital	17.4	30.4	7.6	2.3
Rent, Communications, Utilities, & Misc. Charges	1,642.5	1,650.0	1,601.9	1,570.5
Printing and Reproduction	0.0	0.1	0.1	0.2
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Other Purchased Services	1,246.9	1,463.2	1,495.0	1,527.0
Total Expenses	3,164.2	3,412.2	3,389.7	3,389.8
Operating Result	58.5	(13.7)	(76.1)	(63.2)
Less Capital Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Passthroughs and Other Appropriations Affecting NOR	0.0	0.0	0.0	0.0
Other Adjustments Affecting NOR	0.0	0.0	0.0	0.0
Net Operating Result	58.5	(13.7)	(76.1)	(63.2)
Prior Year AOR	94.4	153.0	139.3	63.2
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result	153.0	139.3	63.2	0.0
Non Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result for Budget Purpose	153.0	139.3	63.2	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
FISCAL YEAR (FY) 2006/FY 2007 Budget Estimates

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Supply Management Activity Group incorporates those activities, programs and costs related to materiel management. Costs include operations (salaries and expenses), materiel (items sold to the military services) and capital investments (purchase of equipment, software development and minor construction). In addition, DLA's Supply Management includes a small number of DoD Logistics support activities, such as the Defense Logistics Information Service (DLIS) and the Defense Automated Addressing Systems Center (DAASC). Nearly 25.5 million requisitions are received annually from the military services, other federal agencies, non-federal agencies and foreign military for the 5.2 million consumable items managed by DLA.

The DLA Supply Management Activity Group is broken into wholesale and retail level inventories. Wholesale inventories are inventories the manager has asset knowledge and control over, regardless of funding sources. Retail inventory (or base supply) provides equipment, materials, supplies and services to local DLA activities and authorized tenants. Four Inventory Control Points (ICPs) manage DLA's wholesale inventories. Three of these ICPs provide the warfighter with Troop Support (uniforms, food and medical), General Support (hardware type items), and Weapons Systems Support. DLA's fourth ICP manages the wholesale and retail supply chain in support of the Department's petroleum and missile fuel requirements. DLA's retail management segments consist of Base Operating Support (BOS) and the National Security Agency (NSA). NSA ceased to be part of DLA's retail management segment after FY 2004.

Wholesale Organizational responsibilities:

The **Defense Energy Support Center (DESC)** located at Fort Belvoir, Virginia, provides comprehensive worldwide energy support for the military services and other authorized customers. This effort includes management of the petroleum supply chain and aerospace missile fuels; electricity and natural gas products; assistance to the Services regarding privatization of utilities; arranging for petroleum support services; providing facility/equipment maintenance on fuel infrastructure; performing energy-related environmental

assessment and cleanup; coordinating bulk petroleum transportation; and performing petroleum quality assurance functions worldwide. In fiscal year 2004, DESC was also called upon to provide oil to the Iraqi people under the auspices of Task Force-Restore Iraqi Oil. DESC's gross sales for FY 2006 are projected at $7.3 billion (112 million barrels).

The **Defense Supply Center Philadelphia (DSCP)** provides food, clothing, medicine, medical equipment, general and industrial supplies and services to the military services and non-DoD customers. A description of DSCP's four directorates follows.

> The **Clothing and Textiles Directorate** manages over 34,000 different items that outfit U.S. troops and civilian customers with uniforms, helmets, body armor, chemical protective suits, footwear, tents, and other related items. FY 2006 sales are projected at $2.5 billion.
>
> The **Medical Directorate** provides medical supplies, equipment, pharmaceuticals and other health care items to the Military Services in peacetime and war; everything from first-aid kits to fully deployable field hospitals and complete turnkey radiology suites. FY 2006 sales are projected at $3.6 billion.
>
> The **Subsistence Directorate** serves as the key link between the Services and the U.S. food industry. In addition to the support provided to the Services and to other Federal agencies, public health service hospitals, the USDA national school lunch program, and the District of Columbia school district. Items include fresh fruits and vegetables, frozen and dehydrated food, and Meals Ready-to-Eat. FY 2006 sales are projected at $2.5 billion.
>
> The **General and Industrial Directorate** sells and manages a wide variety of industrial hardware and commercial items for the Services and other Federal Agencies. Items managed are in the categories of general hardware, bench stock, move & store material, operational equipment, and metals. FY 2006 sales are projected at $3.4 billion.

The **Defense Supply Center Richmond (DSCR)** serves as the inventory control point designated as the lead center for aviation. Within the DoD supply-chain it is the primary source for nearly 831,000 repair parts and operating supply items for aviation. These items include a mix of military-unique items supporting over 1,286 major weapon systems as well as items

readily available in the commercial market. FY 2006 sales are projected at $3.8 billion.

The **Defense Supply Center Columbus (DSCC)** is the lead center for land and maritime support. DSCC sells and manages more than 1.8 million different spare parts. These items include valves, hydraulics, transistors, and microcircuits. FY 2006 sales are projected at $2.9 billion.

Retail Support (non-petroleum):

DLA provides base supplies and procurement to DLA activities and authorized tenants. FY 2006 sales are projected at $12.5 million.

Other DoD Logistics Support Organizations:

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

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

BUDGET HIGHLIGHTS

Task Force Restore Iraqi Oil:

In FY 2004, the Under Secretary of Defense for Acquisition, Technology and Logistics assigned DLA the mission of supporting Task Force-Restore Iraqi Oil (TF-RIO). DLA awarded contracts, through competitive procedures whenever possible, for petroleum products (kerosene, gasoline, diesel), to include movement of those products to designated depots within Iraq for consumption by the Iraqi people. Total FY 2004 costs to support this mission amounted to $650.5 million. These costs were reimbursed by the Coalition Provisional Authority (CPA) and other authorized sources.

Army Combat Uniform (ACU):

The Army Chief of Staff approved a new uniform, Army Combat Uniform (ACU), in June 2004 to replace the Desert Camouflage Uniform (DCU) and Woodland Battle Dress Uniform (BDU). DLA, as the item manager, has worked with the Army to define requirements. DLA will increase ACU inventory to support Army requirements consistent with funding provided by the Army and sections 2210 of Title 10, U.S.C., which limits the use of contract authority to procure supplies "necessary to maintain stock levels consistently with planned operations for the next fiscal year."

Lithium Battery Program:

On September 30, 2004, the United States Army Materiel Command (USAMC), Communications-Electronics Command (CECOM) was directed by the Deputy Under Secretary of Defense for Logistics and Materiel Readiness to transfer the management of the family of lithium batteries, related rechargeables, and rechargers/accessories to the Defense Logistics Agency (DLA). A Memorandum of Agreement (MOA) was established to facilitate the transfer whereby the DLA, specifically the Defense Supply Center Richmond (DSCR), is responsible for inventory management and contract administration for all the transferring items specified in the agreement. CECOM remains the direct technical source, responsible for battery policy and standardization as well as battery design integrity and stability.

Global War on Terrorism:

The DLA Non-Energy Supply Management Activities provide a wide range of supplies and services in support of the Global War on Terrorism (GWOT). DLA's efforts include providing medical supplies, clothing, food, and spare parts. In addition, DLA sends technical experts into contingency locations to research and resolve critical issues which impact military readiness. The Non-Energy Supply sales in support of GWOT efforts are:

($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
GWOT Sales	3,652.2	2,899.4	2,709.5	1,749.6

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

Direct appropriations provided in FY 2004 through FY 2007 included in this budget submission are detailed in the following chart and narrative.

DWCF Appropriation:	FY 2004	FY 2005	FY 2006	FY 2007
Unused Warehouse Space	51.2	48.5	47.6	0.0
Reutilization, Transfer and Disposal Costs	46.1	38.8	35.4	36.8
Defense Finance and Accounting Systems (DFAS) Costs	3.6	3.6	1.3	2.1
Meals Ready to Eat War Reserve	0.0	60.7	0.0	0.0
Fuel Facility Study	15.5	9.4	0.0	0.0
Fuel Facility Disposal	7.2	19.1	0.0	0.0
Aviation Investment	78.9	0.0	0.0	0.0
Subtotal	202.5	180.1	84.3	38.9
Supplemental Appropriations:				
Fuel Costs	1,566.3	842.3	0.0	0.0
Transportation Costs in Iraq	0.0	402.0	0.0	0.0
Hurricane Damage	0.0	1.8	0.0	0.0
Total Appropriations	1,768.8	1,426.2	84.3	38.9

NOTE: Title IX of the FY 2005 Defense Appropriation Act appropriated $511.7 million which was received in FY 2004. Contained in the Act was $180.1 million to finance DLA Programs identified in the FY 2005 column above.

Unused Warehouse Space – It is DoD intent to make DLA prices comparable to the private sector by removing readiness support costs or military unique costs from DLA prices. This is to provide more representative rates to the customers. Private industry would not pay for unused warehouse space; however, DLA must maintain unused warehouses pending Base Realignment And Closure (BRAC) decisions.

Defense Reutilization and Marketing Service (DRMS) – Reutilization, transfer, donation and disposal costs are also part of the price comparability effort mentioned above. Part of the DRMS mission is to reutilize, transfer, or donate to authorized recipients excess DoD personal property. This results in lower sales proceeds and is contrary to private industry practice. These DRMS costs are removed from DWCF rates and funded by a direct appropriation as a military unique cost.

DFAS Systems Costs - These costs were removed from DFAS rates beginning in FY 2004 for DFAS customers (in this case DLA) to pay these costs directly.

Meals Ready to Eat (MRE) War Reserve – In the FY 2004 appropriation conference report, the Congress directed the Secretary of Defense to fund identified requirements for increased MRE inventory in the FY 2005 budget submission. Increasing MRE inventory levels will improve long-term sustainment. This will smooth production over a period of time and address consumption and shelf life considerations.

Fuel Facility Study and Disposal – This appropriation funds the initial steps to identify and remove unneeded fuel facilities. The first phase was appropriated in FY 2004; the second phase in FY 2005. The study is necessary to evaluate the condition of fuel facilities to support the Secretary of Defense's infrastructure goals to sustain, restore and modernize DoD facilities to DoD standards. Additionally, the study will identify unneeded facilities, where separate funding is necessary for disposal.

Aviation Investment – The FY 2004 appropriation funds the last year of the Aviation Investment Strategy that was a four year effort to improve the availability of aviation spare parts. This investment strategy helped to increase readiness for aviation for the all the military services.

Fuel Costs - In FY 2004 the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004 (P.L. 108-106) provided $600 million to the Defense Working Capital Fund to fund losses resulting from continuing fuel price increases. An additional $966.3 million was provided in Title IX of the Department of Defense Appropriations Act for 2005 (P.L. 108-287) to offset continuing FY 2004 fuel losses resulting from record high fuel market prices. In addition, the budget estimate includes $1,244.3 million in FY 2005 supplemental requirements to offset increases in fuel price costs over and above the Oct 1, 2004 stabilized selling price ($842.3 million), and to fund transportation and delivery costs of fuel delivery to U.S. Forces in Iraq ($402.0 million). These requirements are included in the Department of Defense FY 2005 Supplemental Request for Operation Iraqi Freedom and Operation Enduring Freedom. Additionally, the Supplemental Request includes funding for fuel customers to finance FY 2005 fuel price increase.

In FY 2005 the DLA received $1.8 million in the Military Construction Appropriations and Emergency Supplemental Appropriation Act for 2005 (P.L. 108-324) to repair fuel facilities damaged by the hurricanes which swept through the southeastern United States in FY 2004.

Fuel Pricing Claims:

On May 10, 2000, the United States Court of Federal Claims awarded Pride Companies, L.P. $45.7 million because of an allegedly unauthorized price adjustment clause in Pride's contracts providing refined fuel products from 1987 through 1992. With interest, the total payment was $61.5 million. Pride was paid in FY 2000.

The Pride decision led to similar claims by other DESC contractors between 2000 and 2003. The Defense Energy Support Center (DESC) has received claims totaling approximately $3.0 billion from thirty-five fuel supply contractors for fuel purchases made since the early 1980s. $2.8 billion of the claims are in litigation.

DESC's contracting officer has denied the contractors' claims in all of these cases, because the contractors have not shown that they have been harmed by the presence of these clauses in their contracts, and the evidence suggests that DESC's clauses protected the contractors in the way required by the Federal Acquisition Regulation (FAR). If the clauses can be shown to be FAR compliant, the legal basis for the claims will disappear. The Government has also maintained that the contractors have waived any benefits contained in the FAR that form the ground for these claims.

DESC moved for summary judgment in most of the cases filed and received mixed and conflicting results at the trial level. Because of conflicting decisions at the trial level, the United States Court of Appeals for the Federal Circuit issued an order on February 2, 2004, granting the plaintiff's petition for permission to file interlocutory appeals. The parties submitted briefs in the appellate court, and the Court heard oral arguments in the cases on January 10, 2005. We expect a decision from the appellate court between May and July 2005.

All the cases pending in the Court of Federal Claims have been stayed pending a decision by the Court of Appeals. The litigation team is unable to predict the outcome of this litigation. DLA has not budgeted for this possible liability and

does not record the liability on Defense financial statements, because the likelihood and amount of payments are still at issue.

PERFORMANCE INDICATORS

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

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

Total Supply NOR/AOR:

($ in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Net Operating Results	-255.2	-775.9	-30.6	-171.5
Accumulated Operating Results	$653.8	-$122.1	-$152.7	-$324.2

NOR is the difference between revenues and expenses and excludes non-recoverable items such as Property Disposal Office transfers, net acquisition cost changes, returns without credit and other changes. NOR is a financial management tool that measures the effectiveness of cost recovery rates, costs and revenue. Accumulated Operating Results reflects the long term, multi-year results of previous Net Operating Results. Its measurement describes the accumulated affects of Net Operating Results and demonstrates the fiscal strength over a longer time period. The following tables show the NOR/AOR included in this budget submission.

Non-Energy NOR/AOR:

($ in Millions	FY 2004	FY 2005	FY 2006	FY 2007
Revenue	18,593.5	18,502.9	19,209.6	18,559.5
Expenses	18,336.8	18,610.0	19,056.0	18,516.2
Cost of Goods Sold	15,725.4	15,613.3	15,961.7	15,529.5
Operations	2,611.4	2,996.7	3,094.3	2,986.7
Unused Warehouse Space	51.2	48.5	47.6	0.0
Reutilization, Transfer and Disposal Costs	46.1	38.8	35.4	36.8
Defense Finance and Accounting Systems (DFAS) Costs	3.6	3.6	1.3	2.1
Cash Surcharge	0.0	0.0	-160.2	-138.0
Capital Surcharge	-91.3	-54.6	-50.0	13.8
Transfer of AOR	-226.8	-19.2	19.2	0.0
Inventory Surcharge	-142.9	-311.2	-30.3	-40.0
Net Operating Results	-103.4	-401.2	16.6	-82.0
Prior Year Accumulated Operating Results	570.0	466.6	65.4	82.0
Ending Accumulated Operating Results	466.6	65.4	82.0	0.0

Energy NOR/AOR:

($ in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Revenue	5,952.5	7,032.5	7,088.2	6,756.1
Expenses	7,920.1	8,610.6	7,134.0	6,825.3
Cost of Goods Sold	6,180.1	7,077.3	5,945.3	5,544.5
Operations	1,740.0	1,533.3	1,188.7	1,280.8
Other Changes Affecting Net Operating Results	1,815.8	1,203.4	-1.4	-20.3
Capital Surcharge	0.0	-46.7	-19.4	-20.3
Direct Appropriation	1,589.0	1,274.6	0.0	0.0
AOR Transfer from Non-Energy	226.8	0.0	0.0	0.0
Retained AOR (Missile Fuels)	0.0	-24.5	0.0	0.0
Technical Correction for Prior Year Costs	0.0	0.0	18.0	0.0
Net Operating Results	-151.8	-374.7	-47.2	-89.5
Prior Year Accumulated Operating Results	339.0	187.2	-187.5	-234.7
Ending Accumulated Operating Results	187.2	-187.5	-234.7	-324.2

FY 2004 Energy losses were offset by Direct and Supplemental appropriations totaling $1,589.0 million. A Direct appropriation of $22.7 million, identified in the FY 2005

President’s Budget submission, was authorized to fund fuel facilities studies and demolition. Supplemental funding, in the amount of $1,566.3 million, was appropriated to fund fuel price increases resulting from extraordinarily high market prices for petroleum. In addition to Direct and Supplemental funding, the FY 2005 President’s Budget included a transfer of Non-Energy AOR gains, in the amount of $226.8 million, to DLA Energy.

In FY 2005 the increase to revenue is the result of an increase in the FY 2005 standard price to customers. Effective October 1, 2004, DLA increased the standard price by 42.5 percent over prices included in the FY 2005 President’s budget. However, the continued volatility of petroleum fuel prices is estimated to require additional funding in FY 2005 to offset increased fuel costs over and above levels funded through the October 1, 2004 price increase to customers. Funding for these fuel price increases ($842.3 million) and costs of fuel transportation and delivery into Iraq ($402 million) are included in the Department of Defense FY 2005 Supplemental Request for Operation Iraqi Freedom and Operating Enduring Freedom.

Additional adjustments to FY 2005 operations include: a surcharge for capital investments ($46.7 million) to recoup actual capital outlays; a direct appropriation to continue the fuel facilities study and demolition ($28.5 million); a direct appropriation from the Hurricane Supplemental for damages to Pensacola Naval Air Station fuel facilities ($1.8 million); and the retention of accumulated operating results in the Missile Fuels business area ($-24.5 million).

The FY 2006 Energy Net Operating Result of $-47.2 million includes a capital surcharge ($19.4 million); a technical adjustment for overstating corporate expense in FY 2004 and FY 2005 ($18.0 million); plus additional funding for facilities sustainment ($58.1 million) and demolition ($3.6 million).

The FY 2007 Energy Net Operating Result of $-89.4 million incorporates a capital surcharge ($20.3 million); plus additional funding for facilities sustainment ($119.2 million), and demolition ($3.3 million).

Supply Availability:

Supply availability measures logistics responsiveness and is calculated by the percentage of requisitions that are filled immediately from stock on hand. Weapon system supply

availability is calculated for all items coded as Weapon System related for Army, Navy, Air Force and the Marine Corps. The following table displays the actual supply availability goals for FY 2005 – FY 2007.

Supply Availability	FY 2005	FY 2006	FY 2007
Army	88.2%	88.2%	88.4%
Navy	88.5%	88.5%	88.2%
Air Force	87.6%	87.9%	87.8%
Marine Corps	88.2%	88.6%	88.8%

WORKLOAD

Non-Energy: Gross Sales at Standard Unit Price

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

(Dollars in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Non-Energy Gross Sales at Standard Unit Price	$18,297.0	$18,079.0	$18,761.4	$18,122.8

Energy: Net Barrels Sold

Energy measures its workload in terms of net barrels sold. Like gross sales in non-energy, net barrels sold reflect requirements provided to DESC by the military services and other authorized customers. The following table displays net barrels sold over the budget period. The higher sales in FY 2004 reflect sales for Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF), but do not include sales for TF-RIO (a non-recurring requirement). The sales in FY 2005 include continuing operations in Iraq and Afghanistan. FY 2006 and FY 2007 forecast a decline to normal historical sales levels.

(Barrels in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Energy - Net barrels sold	134.0	121.7	112.0	112.0

UNIT COST

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

Non-Energy Wholesale	FY 2004	FY 2005	FY 2006	FY 2007
Costs ($ in Millions)	18,294.7	17,028.4	18,585.3	17,762.3
Gross Sales ($ in Millions)	18,297.0	18,079.0	18,761.4	18,122.8
Unit Cost Goal (per $ of Sales)	1.00	0.94	0.99	0.98

Energy Petroleum	FY 2004	FY 2005	FY 2006	FY 2007
Costs ($ in Millions)	$6,822.3	6,458.1	$7,066.5	$6,924.1
Net Barrels Sold (M)	134.0	121.7	112.0	112.0
Unit Cost Goal ($ per barrel)	$50.91	$53.07	$63.09	$61.82

Energy unit costs include reduction of expense brought about by direct appropriations. FY 2004 Costs and Net Barrels Sold do not include TF-RIO costs of $650.5 million and 10 million barrels.

PRICING

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

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

The CRR is the amount added to the cost of an item to recover costs associated with purchasing and selling supplies to the customer. These costs include operating costs such as payroll,

travel, training, depreciation, facilities maintenance, shipping, storage, accounting, and cataloging.

The table below displays the DoD approved CPCs and CRRS for FY 2005, FY 2006 and FY 2007, along with the DoD inflators:

	FY 2005	FY 2006	FY 2007
CPC	0.9%	1.2%	1.2%
DoD Inflator	2.0%	2.0%	2.1%
CRR	15.0%	14.4%	13.5%

Energy Pricing (Petroleum):

The Office of Management and Budget establishes petroleum rates with input from the Departments of Defense, Energy, Treasury, and Commerce. The single most important cost factor is the world petroleum market price/product cost. This budget reflects the following standard prices to the customer for petroleum.

Energy	FY 2004	FY 2005	FY 2006	FY 2007
Standard Price for Petroleum ($/Bbl)	$38.22	$56.28	$61.74	$58.80

INVENTORY

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

	FY 2004	FY 2005	FY 2006	FY 2007
Beginning Inventory	10,372.2	11,510.9	11,791.5	11,674.5
Receipts	16,674.4	15,575.6	15,758.3	15,675.9
Sales	-15,857.6	-15,766.3	-16,117.1	-15,676.7
Returns for Credit	132.3	153.0	155.6	147.2
Returns No Credit	307.2	209.2	196.6	186.1
Disposals	-242.0	-275.9	-248.4	-256.0
Capitalization	10.1	303.5	14.0	5.1
Other	114.3	81.5	124.0	75.7
Ending Inventory	11,510.9	11,791.5	11,674.5	11,831.8

Energy Inventory:
FY 2004 inventory includes a capitalization of 0.7 million barrels from Navy L-Deck Carriers. ”Other” includes issues without reimbursement, accounting adjustments, returns, and

losses due to contamination, spills, evaporation, shrinkage, and other factors.

Energy				
(Barrels in Millions)	FY 2004	FY 2005	FY 2006	FY 2007
Beginning Inventory	57.7	59.5	60.0	60.0
Receipts	134.9	123.2	113.0	113.0
Net Sales	-134.0	-121.7	-112.0	-112.0
Capitalization	0.7	0.0	0.0	0.0
Other	0.2	-1.0	-1.0	-1.0
Ending Inventory	59.5	60.0	60.0	60.0

Undelivered Orders:

Undelivered orders represent orders for materiel/services placed with vendor/suppliers which have not been received by the Supply activities. The following table provides the DLA Supply Management undelivered orders.

($ in Millions)	FY 2002	FY 2003	FY 2004
Total Supply	$8,002.9	$9,442.5	$10,577.8

Undelivered orders rose from FY 2002 to FY 2004. The increase was a direct result of two factors: (1) Customer demands increased by $7.4 billion from FY 2002 to FY 2004; and (2) record setting market prices for crude causing refined petroleum costs to increase $27.23 per barrel for bulk fuel between end of period FY 2003 and FY 2004. Cash will be needed to liquidate these orders when delivered.

Cash:

Pricing decisions and workload projections result in estimates for cash collections, disbursements, and net outlays. DLA Non-Energy experienced a cash loss in FY 2004 due to increased investment in readiness items to support increased military operations.

Non-Energy	FY 2004	FY 2005	FY 2006	FY 2007
Disbursements	19,367.5	18,794.8	18,938.6	18,338.8
Collections	18,372.6	18,801.6	19,023.7	18,454.1
Net Outlays	994.9	-6.8	-85.1	-115.3
Appropriations	179.8	90.9	84.3	38.9
Unused Warehouse Space	51.2	48.5	47.6	0.0
Reutilization, Transfer and Disposal Costs	46.1	38.8	35.4	36.8
Defense Finance and Accounting Systems (DFAS) Costs	3.6	3.6	1.3	2.1
Meals Ready to Eat War Reserves		60.7	0.0	0.0
Aviation Investment	78.9	0.0	0.0	0.0
Transfer to DeCA	-35.5	0.0	0.0	0.0
Rebate to the Army	0.0	-12.0	0.0	0.0
Energy				
Disbursements	7,665.3	8,697.0	7,137.9	6,831.5
Collections	6,049.6	6,997.2	7,074.8	6,793.1
Net Outlays	1,615.7	1,699.8	63.1	38.4
Appropriations	1,589.0	1,274.6	0.0	0.0
Increased Fuel Costs	1,566.3	842.3	0.0	0.0
Transportations Costs in Iraq	0.0	402.0	0.0	0.0
Fuel Facility Studies	15.5	9.4	0.0	0.0
Fuel Facility Disposal	7.2	19.1	0.0	0.0
Hurricane Damage	0.0	1.8	0.0	0.0

Funding has been received or requested through direct appropriations to offset some of the effects of outlays displayed in the above chart.

PERSONNEL

Personnel	FY 2004	FY 2005	FY 2006	FY 2007
End Strength				
Military	368	368	368	368
Civilian	11,152	12,089	11,371	11,613
Total	11,520	12,457	11,739	11,981
FTEs				
Military	368	368	368	368
Civilian	11,094	11,630	11,680	11,374
Total	11,462	11,998	12,048	11,742

CAPITAL BUDGET

	FY 2004	FY 2005	FY 2006	FY 2007
Equipment (non-ADP)	4.2	3.8	13.6	15.9
Equipment (ADP/T)	11.6	10.9	13.5	5.6
Software	169.9	170.4	180.9	87.3
Minor Construction	31.0	30.9	29.0	28.8
Total	216.8	216.1	237.0	137.6

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

The FY 2006 capital budget estimate of $237.0 million reflects an increase over the FY 2005 requirements in the amount of $21.9 million. The Non-ADP category increase of $9.8 million is mainly due to the implementation of the first phase of a plan for the replacement of automated tank gauges in the fuel terminals world wide. The increase in ADP Equipment is primarily due to a Local Area Network upgrade in the amount of $5.4M. The Software Development category continues to reflect DLA’s modernization efforts.

The capital budget decreases in FY 2007 primarily in the Software Development category as DLA’s Enterprise Resource Planning (ERP) system reaches Full Operational Capability in FY 2006. ERP development efforts in FY 2007 will focus on improvements to the system which include replacing the legacy procurement system with the SAP eProcurement module.

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
Grand Total
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components	**21,770.5**	**22,682.9**	**23,375.1**	**22,785.7**
Army	7,892.3	6,783.0	7,041.9	6,910.5
Navy	4,976.0	6,123.4	6,003.3	5,848.2
Air Force	6,804.9	7,972.4	8,501.5	8,239.5
Marine Corps	789.6	767.0	776.3	746.3
Other	994.5	715.1	725.3	709.0
DECA	313.2	321.9	326.7	332.3
b. Orders from Other Activity Groups	347.0	391.9	382.6	319.0
c. Total DoD	**22,117.5**	**23,074.8**	**23,757.7**	**23,104.7**
d. Other Orders:	**1,478.9**	**2,026.4**	**2,024.1**	**1,954.3**
Other Federal Agencies	742.9	495.9	481.4	470.4
Non-Federal Agencies	308.4	659.9	651.3	608.7
Foreign Military Sales	427.6	870.5	891.4	875.1
Total New Orders	**23,596.4**	**25,101.2**	**25,781.8**	**25,059.0**
2. Carry-In Orders	2,359.0	2,055.1	1,821.8	1,534.3
3. Total Gross Orders	**25,955.4**	**27,156.3**	**27,603.6**	**26,593.3**
4. Revenue - Gross Sales @ Standard	23,701.2	25,334.2	26,073.3	25,085.4
5. Less Credits and Allowances	(375.4)	(518.6)	(522.9)	(498.5)
6. Plus Reimbursable Sales	1,220.2	719.8	747.4	728.7
7. Total Revenue	24,546.0	25,535.4	26,297.8	25,315.6
8. End of Year Work-in-Process	2,254.2	1,822.1	1,530.3	1,507.9
9. FMS, BRAC, Other Federal, and Non-Federal Orders	1,478.9	2,026.4	2,024.1	1,954.3
10. Funded Carry-Over	2,254.2	1,822.1	1,530.3	1,507.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
Energy
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components	**4,888.7**	**6,602.4**	**6,733.9**	**6,414.5**
Army	408.6	383.9	421.1	400.7
Navy	1,610.5	2,342.9	2,079.0	1,980.2
Air Force	2,827.3	3,828.0	4,187.2	3,989.1
Marine Corps	30.1	30.7	33.5	32.0
Other	12.1	17.1	13.0	12.5
DECA	0.0	0.0	0.0	0.0
b. Orders from Other Activity Groups	**0.1**	**1.1**	**1.0**	**0.9**
c. Total DoD	**4,888.8**	**6,603.5**	**6,734.9**	**6,415.4**
d. Other Orders:	**515.5**	**651.7**	**577.0**	**547.2**
Other Federal Agencies	146.7	175.3	150.9	145.6
Non-Federal Agencies	257.8	301.6	271.4	254.4
Foreign Military Sales	111.0	174.8	154.6	147.2
Total New Orders	**5,404.2**	**7,255.2**	**7,311.9**	**6,962.6**
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	**5,404.2**	**7,255.2**	**7,311.9**	**6,962.6**
4. Revenue - Gross Sales @ Standard	5,404.2	7,255.2	7,311.9	6,962.6
5. Less Credits and Allowances	(207.2)	(337.7)	(339.6)	(323.4)
6. Plus Reimbursable Sales	755.5	115.0	115.9	116.9
7. Total Revenue	5,952.5	7,032.5	7,088.2	6,756.1
8. End of Year Work-in-Process	0.0	0.0	0.0	0.0
9. FMS, BRAC, Other Federal, and Non-Federal Orders	515.5	651.7	577.0	547.2
10. Funded Carry-Over	0.0	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
Total Non-Energy
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components	**16,881.8**	**16,080.5**	**16,641.2**	**16,371.2**
Army	7,483.6	6,399.2	6,620.8	6,509.7
Navy	3,365.5	3,780.6	3,924.2	3,868.1
Air Force	3,977.6	4,144.4	4,314.4	4,250.4
Marine Corps	759.5	736.4	742.8	714.2
Other	982.4	698.0	712.3	696.5
DECA	313.2	321.9	326.7	332.3
b. Orders from Other Activity Groups	346.9	390.9	381.6	318.1
c. Total DoD	**17,228.7**	**16,471.3**	**17,022.8**	**16,689.3**
d. Other Orders:	**963.4**	**1,374.6**	**1,447.1**	**1,407.1**
Other Federal Agencies	596.2	320.6	330.5	324.8
Non-Federal Agencies	50.5	358.2	379.9	354.3
Foreign Military Sales	316.7	695.8	736.8	727.9
Total New Orders	**18,192.2**	**17,846.0**	**18,469.9**	**18,096.3**
2. Carry-In Orders	2,359.0	2,055.1	1,821.8	1,534.3
3. Total Gross Orders	**20,551.2**	**19,901.1**	**20,291.7**	**19,630.7**
4. Revenue - Gross Sales @ Standard	18,297.0	18,079.0	18,761.4	18,122.8
5. Less Credits and Allowances	(168.2)	(180.9)	(183.3)	(175.1)
6. Plus Reimbursable Sales	464.7	604.8	631.5	611.8
7. Total Revenue	18,593.5	18,502.9	19,209.6	18,559.5
5. End of Year Work-in-Process	2,254.2	1,822.1	1,530.3	1,507.9
6. FMS, BRAC, Other Federal, and Non-Federal Orders	963.4	1,374.6	1,447.1	1,407.1
7. Funded Carry-Over	2,254.2	1,822.1	1,530.3	1,507.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
Grand Total
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components	**21,770.5**	**22,682.9**	**23,375.1**	**22,785.7**
Army	7,892.3	6,783.0	7,041.9	6,910.5
Navy	4,976.0	6,123.4	6,003.3	5,848.2
Air Force	6,804.9	7,972.4	8,501.5	8,239.5
Marine Corps	789.6	767.0	776.3	746.3
Other	994.5	715.1	725.3	709.0
DECA	313.2	321.9	326.7	332.3
b. Orders from Other Activity Groups	347.0	391.9	382.6	319.0
c. Total DoD	**22,117.5**	**23,074.8**	**23,757.7**	**23,104.7**
d. Other Orders:	**1,478.9**	**2,026.4**	**2,024.1**	**1,954.3**
Other Federal Agencies	742.9	495.9	481.4	470.4
Non-Federal Agencies	308.4	659.9	651.3	608.7
Foreign Military Sales	427.6	870.5	891.4	875.1
Total New Orders	**23,596.4**	**25,101.2**	**25,781.8**	**25,059.0**
2. Carry-In Orders	2,359.0	2,055.1	1,821.8	1,534.3
3. Total Gross Orders	**25,955.4**	**27,156.3**	**27,603.6**	**26,593.3**
4. Revenue - Gross Sales @ Standard	23,701.2	25,334.2	26,073.3	25,085.4
5. Less Credits and Allowances	(375.4)	(518.6)	(522.9)	(498.5)
6. Plus Reimbursable Sales	1,220.2	719.8	747.4	728.7
7. Total Revenue	24,546.0	25,535.4	26,297.8	25,315.6
8. End of Year Work-in-Process	2,254.2	1,822.1	1,530.3	1,507.9
9. FMS, BRAC, Other Federal, and Non-Federal Orders	1,478.9	2,026.4	2,024.1	1,954.3
10. Funded Carry-Over	2,254.2	1,822.1	1,530.3	1,507.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
Energy
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components	**4,888.7**	**6,602.4**	**6,733.9**	**6,414.5**
Army	408.6	383.9	421.1	400.7
Navy	1,610.5	2,342.9	2,079.0	1,980.2
Air Force	2,827.3	3,828.0	4,187.2	3,989.1
Marine Corps	30.1	30.7	33.5	32.0
Other	12.1	17.1	13.0	12.5
DECA	0.0	0.0	0.0	0.0
b. Orders from Other Activity Groups	**0.1**	**1.1**	**1.0**	**0.9**
c. Total DoD	**4,888.8**	**6,603.5**	**6,734.9**	**6,415.4**
d. Other Orders:	**515.5**	**651.7**	**577.0**	**547.2**
Other Federal Agencies	146.7	175.3	150.9	145.6
Non-Federal Agencies	257.8	301.6	271.4	254.4
Foreign Military Sales	111.0	174.8	154.6	147.2
Total New Orders	**5,404.2**	**7,255.2**	**7,311.9**	**6,962.6**
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	**5,404.2**	**7,255.2**	**7,311.9**	**6,962.6**
4. Revenue - Gross Sales @ Standard	5,404.2	7,255.2	7,311.9	6,962.6
5. Less Credits and Allowances	(207.2)	(337.7)	(339.6)	(323.4)
6. Plus Reimbursable Sales	755.5	115.0	115.9	116.9
7. Total Revenue	5,952.5	7,032.5	7,088.2	6,756.1
8. End of Year Work-in-Process	0.0	0.0	0.0	0.0
9. FMS, BRAC, Other Federal, and Non-Federal Orders	515.5	651.7	577.0	547.2
10. Funded Carry-Over	0.0	0.0	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Source of New Orders and Revenue
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
Total Non-Energy
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components	**16,881.8**	**16,080.5**	**16,641.2**	**16,371.2**
Army	7,483.6	6,399.2	6,620.8	6,509.7
Navy	3,365.5	3,780.6	3,924.2	3,868.1
Air Force	3,977.6	4,144.4	4,314.4	4,250.4
Marine Corps	759.5	736.4	742.8	714.2
Other	982.4	698.0	712.3	696.5
DECA	313.2	321.9	326.7	332.3
b. Orders from Other Activity Groups	346.9	390.9	381.6	318.1
c. Total DoD	**17,228.7**	**16,471.3**	**17,022.8**	**16,689.3**
d. Other Orders:	**963.4**	**1,374.6**	**1,447.1**	**1,407.1**
Other Federal Agencies	596.2	320.6	330.5	324.8
Non-Federal Agencies	50.5	358.2	379.9	354.3
Foreign Military Sales	316.7	695.8	736.8	727.9
Total New Orders	**18,192.2**	**17,846.0**	**18,469.9**	**18,096.3**
2. Carry-In Orders	2,359.0	2,055.1	1,821.8	1,534.3
3. Total Gross Orders	**20,551.2**	**19,901.1**	**20,291.7**	**19,630.7**
4. Revenue - Gross Sales @ Standard	18,297.0	18,079.0	18,761.4	18,122.8
5. Less Credits and Allowances	(168.2)	(180.9)	(183.3)	(175.1)
6. Plus Reimbursable Sales	464.7	604.8	631.5	611.8
7. Total Revenue	18,593.5	18,502.9	19,209.6	18,559.5
5. End of Year Work-in-Process	2,254.2	1,822.1	1,530.3	1,507.9
6. FMS, BRAC, Other Federal, and Non-Federal Orders	963.4	1,374.6	1,447.1	1,407.1
7. Funded Carry-Over	2,254.2	1,822.1	1,530.3	1,507.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Revenue and Expenses
February 2005
($ in millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue:				
Gross Sales @ Standard	23,701.2	25,334.2	26,073.3	25,085.4
Operations	23,517.4	25,124.1	25,875.1	24,934.9
Capital Surcharge	91.3	101.3	69.4	6.5
Depreciation	92.5	108.8	128.8	144.0
Other Income	1,220.2	719.8	747.4	728.7
Refunds/Discounts (-)	-375.4	-518.6	-522.9	-498.5
Total Income:	24,546.0	25,535.4	26,297.8	25,315.6
Expenses:				
Cost of Material Sold from Inventory	21,905.5	22,690.6	21,907.0	21,074.0
Salaries and Wages:				
Military Personnel Compensation & Benefits	34.2	35.7	33.5	34.3
Civilian Personnel Compensation & Benefits	930.2	939.0	964.5	975.4
Travel & Transportation of Personnel	38.6	43.3	42.2	40.5
Materials & Supplies (For Internal Operations)	54.5	39.6	41.8	42.7
Equipment	51.5	60.8	66.8	72.4
Other Purchases from Revolving Funds	845.5	662.4	700.0	712.4
Transportation of Things	377.3	806.4	409.4	393.7
Depreciation - Capital	92.5	108.8	128.8	144.0
Printing and Reproduction	8.8	10.0	11.9	11.5
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Communication, Utilities & Misc. Charges	37.4	37.0	37.3	41.0
Other Purchased Services	1,880.9	1,787.0	1,846.8	1,799.6
Total Expenses	26,256.9	27,220.6	26,190.0	25,341.5
Operating Result *	-1,710.9	-1,685.2	107.8	-25.9
Less Capital Surcharge Reservation	-91.3	-101.3	-69.4	-6.5
Plus Passthroughs or Other Appropriations Affecting NOR	1,689.9	1,365.5	84.3	38.9
Other Changes Affecting NOR	-142.9	-354.9	-153.3	-178.0
Net Operating Result	-255.2	-775.9	-30.6	-171.5
Prior Year AOR	909.0	653.8	-122.1	-152.7
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result	653.8	-122.1	-152.7	-324.2

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group - Energy
Fiscal Year (FY) 2006 - 2011 Program and Budget Submission
Revenue and Expenses
February 2005
($ in millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue:				
Gross Sales @ Standard	5,404.2	7,255.2	7,311.9	6,962.6
Operations	5,390.8	7,199.1	7,281.2	6,929.1
Capital Surcharge	0.0	46.7	19.4	20.3
Depreciation	13.4	9.4	11.3	13.2
Other Income	755.5	115.0	115.9	116.9
Refunds/Discounts (-)	-207.2	-337.7	-339.6	-323.4
Total Income:	5,952.5	7,032.5	7,088.2	6,756.1
Expenses:				
Cost of Material Sold from Inventory	6,180.1	7,077.3	5,945.3	5,544.5
Salaries and Wages:				
Military Personnel Compensation & Benefits	6.5	9.7	9.1	9.4
Civilian Personnel Compensation & Benefits	73.3	75.5	78.6	79.1
Travel & Transportation of Personnel	7.2	8.7	8.7	9.0
Materials & Supplies (For Internal Operations)	2.9	8.0	8.2	8.4
Equipment	3.6	3.5	3.5	3.5
Other Purch fm Revolving Funds (includes other DLA)	6.4	13.1	13.5	13.7
Transportation of Things	287.1	705.5	320.9	306.8
Depreciation - Capital	13.4	9.4	11.3	13.2
Printing and Reproduction	0.3	0.4	0.4	0.4
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Communication, Utilities & Misc. Charges	2.9	4.2	5.6	7.0
Other Purchased Services (incl major maint & repair)	1,336.4	695.3	728.9	830.3
Total Expenses	7,920.1	8,610.6	7,134.0	6,825.3
Operating Result	-1,967.6	-1,578.1	-45.8	-69.2
Less Capital Surcharge Reservation	0.0	-46.7	-19.4	-20.3
Plus Passthroughs or Other Appropriations Affecting NOR	1,589.0	1,274.6	0.0	0.0
Other Changes Affecting NOR	226.8	-24.5	18.0	0.0
Net Operating Result	-151.8	-374.7	-47.2	-89.5
Prior Year AOR	339.0	187.2	-187.5	-234.7
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result	187.2	-187.5	-234.7	-324.2

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group - Non-Energy
Fiscal Year (FY) 2006 - 2011 Program and Budget Submission
Revenue and Expenses
February 2005
($ in millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue:				
Gross Sales @ Standard	18,297.0	18,079.0	18,761.4	18,122.8
Operations	18,126.6	17,925.0	18,593.9	18,005.8
Capital Surcharge	91.3	54.6	50.0	-13.8
Depreciation	79.1	99.4	117.5	130.8
Other Income	464.7	604.8	631.5	611.8
Refunds/Discounts (-)	-168.2	-180.9	-183.3	-175.1
Total Income:	18,593.5	18,502.9	19,209.6	18,559.5
Expenses:				
Cost of Material Sold from Inventory	15,725.4	15,613.3	15,961.7	15,529.5
Salaries and Wages:				
Military Personnel Compensation & Benefits	27.7	26.0	24.4	24.9
Civilian Personnel Compensation & Benefits	856.9	863.5	885.9	896.3
Travel & Transportation of Personnel	31.4	34.6	33.5	31.5
Materials & Supplies (For Internal Operations)	51.6	31.6	33.6	34.3
Equipment	47.9	57.3	63.3	68.9
Other Purchases from Revolving Funds	839.1	649.3	686.5	698.7
Transportation of Things	90.2	100.9	88.5	86.9
Depreciation - Capital	79.1	99.4	117.5	130.8
Printing and Reproduction	8.5	9.6	11.5	11.1
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Communication, Utilities & Misc. Charges	34.5	32.8	31.7	34.0
Other Purchased Services	544.5	1,091.7	1,117.9	969.3
Total Expenses	18,336.8	18,610.0	19,056.0	18,516.2
Operating Result	256.7	-107.1	153.6	43.3
Less Capital Surcharge Reservation	-91.3	-54.6	-50.0	13.8
Plus Passthroughs or Other Appropriations Affecting NOR	100.9	90.9	84.3	38.9
Other Changes Affecting NOR	-369.7	-330.4	-171.3	-178.0
Net Operating Result	-103.4	-401.2	16.6	-82.0
Prior Year AOR	570.0	466.6	65.4	82.0
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result	466.6	65.4	82.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
FY 2004
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,421.7	2,450.4	2,564.5	2,198.2	0.0	0.0	2,198.2	0.0	2,198.2
MEDICAL	344.4	3,409.2	3,399.8	3,431.1	0.0	0.0	3,431.1	0.0	3,431.1
SUBSISTENCE	0.0	2,971.4	2,971.4	2,827.9	0.0	0.0	2,827.9	0.0	2,827.9
GENERAL & INDUSTRIAL	1,076.5	3,440.6	3,390.3	3,712.7	0.0	0.0	3,712.7	0.0	3,712.7
AVIATION	4,553.2	3,036.6	3,081.2	2,958.8	0.0	0.0	2,958.8	0.0	2,958.8
LAND & MARITIME	3,805.0	2,699.4	2,705.2	2,817.1	0.0	0.0	2,817.1	0.0	2,817.1
BOS	2.3	9.8	9.8	9.3	0.0	0.0	9.3	0.0	9.3
NSA	0.0	6.6	6.6	4.2	0.0	0.0	4.2	0.0	4.2
DLIS	0.0	0.0	0.0	133.7	0.0	0.0	133.7	0.0	133.7
Corporate	0.0	0.0	0.0	755.7	0.0	0.0	755.7	0.0	755.7
SUBTOTAL	11,203.1	18,024.0	18,128.8	18,848.8	0.0	0.0	18,848.8	0.0	18,848.8
ENERGY (includes Aerospace)	2,207.6	5,197.0	5,197.0	9,283.4	0.0	0.0	9,283	0.0	9,283.4
TOTAL	13,410.7	23,221.0	23,325.8	28,132.2	0.0	0.0	28,132.2	0.0	28,132.2

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
FY 2005
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,729.1	2,233.4	2,421.9	1,808.7	0.0	0.0	1,808.7	750.0	2,558.7
MEDICAL	349.2	3,551.5	3,553.0	3,532.6	0.0	0.0	3,532.6	483.1	4,015.6
SUBSISTENCE	10.0	2,481.9	2,481.9	2,440.7	60.7	0.0	2,501.4	394.0	2,895.4
GENERAL & INDUSTRIAL	845.2	3,344.4	3,344.4	2,857.5	0.0	0.0	2,857.5	605.0	3,462.5
AVIATION	4,558.4	3,321.8	3,358.7	3,337.4	0.0	0.0	3,337.4	674.1	4,011.5
LAND & MARITIME	3,825.5	2,719.8	2,725.9	2,515.4	0.0	0.0	2,515.4	459.0	2,974.3
BOS	2.3	12.2	12.2	11.5	0.0	0.0	11.5	0.0	11.5
NSA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DLIS	0.0	0.0	0.0	142.2	0.0	0.0	142.2	0.0	142.2
Corporate	0.0	0.0	0.0	840.9	0.0	0.0	840.9	0.0	840.9
SUBTOTAL	11,319.7	17,665.0	17,898.0	17,486.8	60.7	0.0	17,547.5	3,365.1	20,912.6
ENERGY (includes Aerospace)	1,560.5	6,917.5	6,917.5	7,610.7	0.0	0.0	7,610.7	1,217.1	8,827.8
TOTAL	12,880.2	24,582.6	24,815.6	25,097.5	60.7	0.0	25,158.2	4,582.2	29,740.4

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
FY 2006
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,970.0	2,218.8	2,436.5	2,491.1	0.0	0.0	2,491.1	860.6	3,351.7
MEDICAL	347.0	3,644.8	3,646.4	3,589.9	0.0	0.0	3,589.9	488.6	4,078.5
SUBSISTENCE	10.0	2,556.7	2,556.7	2,483.0	0.0	0.0	2,483.0	358.9	2,842.0
GENERAL & INDUSTRIAL	662.1	3,311.8	3,337.1	3,140.1	0.0	0.0	3,140.1	592.0	3,732.1
AVIATION	4,481.7	3,729.2	3,770.1	3,553.4	0.0	0.0	3,553.4	454.5	4,007.9
LAND & MARITIME	3,730.0	2,812.8	2,818.9	2,664.0	0.0	0.0	2,664.0	363.3	3,027.3
BOS	2.3	12.5	12.5	11.8	0.0	0.0	11.8	0.0	11.8
NSA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DLIS	0.0	0.0	0.0	149.3	0.0	0.0	149.3	0.0	149.3
Corporate	0.0	0.0	0.0	871.9	0.0	0.0	871.9	0.0	871.9
SUBTOTAL	11,203.1	18,286.6	18,578.1	18,954.6	0.0	0.0	18,954.6	3,117.8	22,072.4
ENERGY (includes Aerospace)	1,450.4	6,972.3	6,972.3	7,398.9	0.0	0.0	7,399	1,102.3	8,501.2
TOTAL	12,653.5	25,258.9	25,550.4	26,353.5	0.0	0.0	26,353.5	4,220.1	30,573.6

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
FY 2007
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	2,197.4	2,012.7	2,011.6	1,959.3	0.0	0.0	1,959.3	496.7	2,456.0
MEDICAL	293.7	3,625.9	3,631.7	3,589.6	0.0	0.0	3,589.6	461.1	4,050.7
SUBSISTENCE	10.0	2,441.3	2,441.3	2,381.0	0.0	0.0	2,381.0	318.3	2,699.3
GENERAL & INDUSTRIAL	658.1	3,296.9	3,296.9	3,220.0	0.0	0.0	3,220.0	415.0	3,635.0
AVIATION	4,489.2	3,673.6	3,689.3	3,357.7	0.0	0.0	3,357.7	453.6	3,811.3
LAND & MARITIME	3,700.0	2,858.4	2,864.4	2,732.2	0.0	0.0	2,732.2	357.3	3,089.5
BOS	2.3	12.5	12.5	11.8	0.0	0.0	11.8	0.0	11.8
NSA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DLIS	0.0	0.0	0.0	151.4	0.0	0.0	151.4	0.0	151.4
Corporate	0.0	0.0	0.0	783.0	0.0	0.0	783.0	0.0	783.0
SUBTOTAL	11,350.7	17,921.2	17,947.7	18,186.0	0.0	0.0	18,186.0	2,502.1	20,688.2
ENERGY (includes Aerospace)	1,382.7	6,639.2	6,639.2	7,292.0	0.0	0.0	7,292.0	1,083.7	8,375.7
TOTAL	12,733.4	24,560.5	24,586.9	25,478.0	0.0	0.0	25,478.0	3,585.9	29,063.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/2007 Budget Estimates
FY 2004 Inventory Status
($ in millions)

Supply	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	12,468.6	1,493.6	6,351.0	4,624.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	(152.4)	152.4
b. Price Change Amount	1,692.0	700.1	991.9	0.0
c. Inventory Reclassified and Repriced	14,160.6	2,193.7	7,190.5	4,776.4
RECEIPTS AT COST	23,038.0	311.4	22,726.6	0.0
GROSS SALES AT COST	(22,285.5)	(385.7)	(21,899.8)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	35.5	0.0	14.8	20.7
Transfer to other DLA ICPs	(34.2)	0.0	(34.5)	0.3
Transfer from other DLA ICPs	81.6	0.0	80.5	1.1
b. Returns from Customers for Credit	380.0	0.0	380.0	0.0
c. Returns for Customers without Credit	416.6	0.2	151.9	264.5
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(242.0)	0.7	(3.5)	(239.2)
f. Issues/Receipts without Reimbursement (+/-)	(491.8)	(217.0)	(272.7)	(2.1)
g. Other (List and Explain)	500.3	245.1	207.9	47.3
h. Total Adjustments	646.0	29.0	524.4	92.6
INVENTORY - End of Period (EOP)	15,559.1	2,148.4	8,541.7	4,869.0
INVENTORY ON ORDER EOP	8,381.2	149.8	8,231.4	0.0

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

Supply	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	15,559.1	2,148.4	8,541.7	4,869.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	156.4	(226.4)	70.0
b. Price Change Amount	(590.3)	(62.8)	(527.5)	0.0
c. Inventory Reclassified and Repriced	14,968.8	2,242.0	7,787.8	4,939.0
RECEIPTS AT COST	22,710.9	370.3	22,340.6	0.0
GROSS SALES AT COST	(23,191.1)	(215.2)	(22,975.9)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	303.5	0.0	289.9	13.6
Transfer to other DLA ICPs	1.9	0.0	1.1	0.8
Transfer from other DLA ICPs	2.2	0.0	1.3	0.9
b. Returns from Customers for Credit	500.5	0.0	500.5	0.0
c. Returns for Customers without Credit	209.2	1.0	10.0	198.2
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(275.9)	(1.0)	(40.0)	(234.9)
f. Issues/Receipts without Reimbursement (+/-)	(10.7)	0.0	(8.7)	(2.0)
g. Other (List and Explain)	66.9	8.9	41.4	16.6
h. Total Adjustments	797.6	8.9	795.5	(6.8)
INVENTORY - End of Period (EOP)	15,286.2	2,406.0	7,948.0	4,932.2
INVENTORY ON ORDER EOP	8,397.3	229.0	8,168.3	0.0

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

Supply	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	15,286.2	2,406.0	7,948.0	4,932.2
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	(51.0)	51.0
b. Price Change Amount	(305.5)	(170.0)	(135.5)	0.0
c. Inventory Reclassified and Repriced	14,980.7	2,236.0	7,761.5	4,983.2
RECEIPTS AT COST	21,756.5	212.2	21,544.3	0.0
GROSS SALES AT COST	(22,353.0)	(216.2)	(22,136.8)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	14.0	0.0	0.0	14.0
Transfer to other DLA ICPs	2.0	0.0	1.1	0.9
Transfer from other DLA ICPs	2.2	0.0	1.3	0.9
b. Returns from Customers for Credit	446.1	0.0	446.1	0.0
c. Returns for Customers without Credit	196.6	1.0	10.0	185.6
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(248.4)	0.0	(20.0)	(228.4)
f. Issues/Receipts without Reimbursement (+/-)	(11.6)	(1.0)	(8.8)	(1.8)
g. Other (List and Explain)	104.0	3.6	76.4	24.0
h. Total Adjustments	504.9	3.6	506.1	(4.8)
INVENTORY - End of Period (EOP)	14,889.1	2,235.6	7,675.1	4,978.4
INVENTORY ON ORDER EOP	8,168.1	95.3	8,072.8	0.0

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

Supply	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	14,889.1	2,235.6	7,675.1	4,978.4
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	(74.5)	74.5
b. Price Change Amount	(213.0)	(118.6)	(94.4)	0.0
c. Inventory Reclassified and Repriced	14,676.1	2,117.0	7,506.2	5,052.9
RECEIPTS AT COST	21,269.7	223.7	21,046.0	0.0
GROSS SALES AT COST	(21,492.2)	(217.6)	(21,274.6)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	5.1	0.0	(9.1)	14.2
Transfer to other DLA ICPs	1.8	0.0	1.0	0.8
Transfer from other DLA ICPs	2.1	0.0	1.2	0.9
b. Returns from Customers for Credit	418.2	0.0	418.2	0.0
c. Returns for Customers without Credit	186.1	1.0	10.0	175.1
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(256.0)	(1.0)	(20.0)	(235.0)
f. Issues/Receipts without Reimbursement (+/-)	(10.2)	0.0	(8.7)	(1.5)
g. Other (List and Explain)	59.4	3.6	51.8	4.0
h. Total Adjustments	406.5	3.6	444.4	(41.5)
INVENTORY - End of Period (EOP)	14,860.1	2,126.7	7,722.0	5,011.4
INVENTORY ON ORDER EOP	13,044.9	2,126.8	7,721.8	3,196.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/2007 Budget Estimates
FY 2004 Inventory Status
($ in millions)

Supply Non-Energy	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	10,372.2	353.1	5,395.1	4,624.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	(152.4)	152.4
b. Price Change Amount	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	10,372.2	353.1	5,242.7	4,776.4
RECEIPTS AT COST	16,674.4	311.4	16,363.0	0.0
GROSS SALES AT COST	(15,857.6)	(385.7)	(15,471.9)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	10.1	0.0	(10.6)	20.7
Transfer to other DLA ICPs	(34.2)	0.0	(34.5)	0.3
Transfer from other DLA ICPs	44.3	0.0	43.2	1.1
b. Returns from Customers for Credit	132.3	0.0	132.3	0.0
c. Returns for Customers without Credit	307.2	0.2	42.5	264.5
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(242.0)	0.7	(3.5)	(239.2)
f. Issues/Receipts without Reimbursement (+/-)	(391.0)	(217.0)	(171.9)	(2.1)
g. Other (List and Explain)	495.2	245.1	202.8	47.3
h. Total Adjustments	321.9	29.0	200.3	92.6
INVENTORY - End of Period (EOP)	11,510.9	307.8	6,334.1	4,869.0
INVENTORY ON ORDER EOP	4,910.4	149.8	4,760.6	0.0

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

Supply Non-Energy	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	11,510.9	307.8	6,334.1	4,869.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	(70.0)	70.0
b. Price Change Amount	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	11,510.9	307.8	6,264.1	4,939.0
RECEIPTS AT COST	15,575.6	370.3	15,205.3	0.0
GROSS SALES AT COST	(15,766.3)	(215.2)	(15,551.1)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	303.5	0.0	289.9	13.6
Transfer to other DLA ICPs	1.9	0.0	1.1	0.8
Transfer from other DLA ICPs	2.2	0.0	1.3	0.9
b. Returns from Customers for Credit	153.0	0.0	153.0	0.0
c. Returns for Customers without Credit	209.2	1.0	10.0	198.2
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(275.9)	(1.0)	(40.0)	(234.9)
f. Issues/Receipts without Reimbursement (+/-)	(10.7)	0.0	(8.7)	(2.0)
g. Other (List and Explain)	88.1	8.9	62.6	16.6
h. Total Adjustments	471.3	8.9	469.2	(6.8)
INVENTORY - End of Period (EOP)	11,791.5	471.8	6,387.5	4,932.2
INVENTORY ON ORDER EOP	5,002.9	229.0	4,773.9	0.0

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

Supply Non-Energy	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	11,791.5	471.8	6,387.5	4,932.2
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	(51.0)	51.0
b. Price Change Amount	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	11,791.5	471.8	6,336.5	4,983.2
RECEIPTS AT COST	15,758.3	212.2	15,546.1	0.0
GROSS SALES AT COST	(16,117.1)	(216.2)	(15,900.9)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	14.0	0.0	0.0	14.0
Transfer to other DLA ICPs	2.0	0.0	1.1	0.9
Transfer from other DLA ICPs	2.2	0.0	1.3	0.9
b. Returns from Customers for Credit	155.6	0.0	155.6	0.0
c. Returns for Customers without Credit	196.6	1.0	10.0	185.6
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(248.4)	0.0	(20.0)	(228.4)
f. Issues/Receipts without Reimbursement (+/-)	(11.6)	(1.0)	(8.8)	(1.8)
g. Other (List and Explain)	131.4	3.6	103.8	24.0
h. Total Adjustments	241.8	3.6	243.0	(4.8)
INVENTORY - End of Period (EOP)	11,674.5	471.4	6,224.7	4,978.4
INVENTORY ON ORDER EOP	5,024.7	95.3	4,929.4	0.0

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

Supply Non-Energy	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	11,674.5	471.4	6,224.7	4,978.4
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	(74.5)	74.5
b. Price Change Amount	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	11,674.5	471.4	6,150.2	5,052.9
RECEIPTS AT COST	15,675.9	223.7	15,452.2	0.0
GROSS SALES AT COST	(15,676.7)	(217.6)	(15,459.1)	0.0
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	5.1	0.0	(9.1)	14.2
Transfer to other DLA ICPs	1.8	0.0	1.0	0.8
Transfer from other DLA ICPs	2.1	0.0	1.2	0.9
b. Returns from Customers for Credit	147.2	0.0	147.2	0.0
c. Returns for Customers without Credit	186.1	1.0	10.0	175.1
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(256.0)	(1.0)	(20.0)	(235.0)
f. Issues/Receipts without Reimbursement (+/-)	(10.2)	0.0	(8.7)	(1.5)
g. Other (List and Explain)	82.0	3.6	74.4	4.0
h. Total Adjustments	158.1	3.6	196.0	(41.5)
INVENTORY - End of Period (EOP)	11,831.8	481.1	6,339.3	5,011.4
INVENTORY ON ORDER EOP	4,963.3	99.9	4,863.4	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/2007 Budget Estimates
FY 2004 Inventory Status
($ in millions)

Supply Energy	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	2,096.4	1,140.5	955.9	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	0.0	0.0
b. Price Change Amount	1,692.0	700.1	991.9	0.0
c. Inventory Reclassified and Repriced	3,788.4	1,840.6	1,947.8	0.0
RECEIPTS AT COST	6,363.6		6,363.6	
GROSS SALES AT COST	(6,427.9)		(6,427.9)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	25.4	0.0	25.4	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	37.3	0.0	37.3	0.0
b. Returns from Customers for Credit	247.7	0.0	247.7	0.0
c. Returns for Customers without Credit	109.4	0.0	109.4	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	(100.8)	0.0	(100.8)	0.0
g. Losses (-)	5.1	0.0	5.1	0.0
h. Total Adjustments	324.1	0.0	324.1	0.0
INVENTORY - End of Period (EOP)	4,048.2	1,840.6	2,207.6	0.0
INVENTORY ON ORDER EOP	3,470.8		3,470.8	

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

Supply Energy	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	4,048.2	1,840.6	2,207.6	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	156.4	(156.4)	0.0
b. Price Change Amount	(590.3)	(62.8)	(527.5)	0.0
c. Inventory Reclassified and Repriced	3,457.9	1,934.2	1,523.7	0.0
RECEIPTS AT COST	7,135.3		7,135.3	
GROSS SALES AT COST	(7,424.8)		(7,424.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	347.5	0.0	347.5	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Losses (-)	(21.2)	0.0	(21.2)	0.0
h. Total Adjustments	326.3	0.0	326.3	0.0
INVENTORY - End of Period (EOP)	3,494.7	1,934.2	1,560.5	0.0
INVENTORY ON ORDER EOP	3,394.4		3,394.4	

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

Supply Energy	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	3,494.7	1,934.2	1,560.5	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	0.0	0.0
b. Price Change Amount	(305.5)	(170.0)	(135.5)	0.0
c. Inventory Reclassified and Repriced	3,189.2	1,764.2	1,425.0	0.0
RECEIPTS AT COST	5,998.2		5,998.2	
GROSS SALES AT COST	(6,235.9)		(6,235.9)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	290.5	0.0	290.5	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Other (List and Explain)	(27.4)	0.0	(27.4)	0.0
h. Total Adjustments	263.1	0.0	263.1	0.0
INVENTORY - End of Period (EOP)	3,214.6	1,764.2	1,450.4	0.0
INVENTORY ON ORDER EOP	3,143.4		3,143.4	

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

Supply Energy	Total	Mobilization	Peacetime Operating	Peacetime Other
INVENTORY - Beginning of Period (BOP)	3,214.6	1,764.2	1,450.4	0.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change	0.0	0.0	0.0	0.0
b. Price Change Amount	(213.0)	(118.6)	(94.4)	0.0
c. Inventory Reclassified and Repriced	3,001.6	1,645.6	1,356.0	0.0
RECEIPTS AT COST	5,593.8		5,593.8	
GROSS SALES AT COST	(5,815.5)		(5,815.5)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.0	0.0	0.0	0.0
Transfer to other DLA ICPs	0.0	0.0	0.0	0.0
Transfer from other DLA ICPs	0.0	0.0	0.0	0.0
b. Returns from Customers for Credit	271.0	0.0	271.0	0.0
c. Returns for Customers without Credit	0.0	0.0	0.0	0.0
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
f. Issues/Receipts without Reimbursement (+/-)	0.0	0.0	0.0	0.0
g. Losses(-)	(22.6)	0.0	(22.6)	0.0
h. Total Adjustments	248.4	0.0	248.4	0.0
INVENTORY - End of Period (EOP)	3,028.3	1,645.6	1,382.7	0.0
INVENTORY ON ORDER EOP	2,968.4		2,968.4	

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Management Activity Group
FISCAL YEAR (FY) 2006/FY 2007 BUDGET ESTIMATES
February 2005
WHOLESALE ONLY - CUSTOMER PRICE CHANGE

Supply Non-Energy (Excluding DeCA)	FY 2004	FY 2005	FY 2006	FY 2007
1. Net Sales at Cost	10,221.2	12,220.0	15,943.5	15,502.5
2. Less: Materiel Inflation Adjustment	0.0	0.0	0.0	0.0
3. Revised Net Sales @ Cost	10,221.2	12,220.0	15,943.5	15,502.5
4. Surcharge ($)	1,585.0	1,833.4	2,295.3	2,100.3
5. Change to Customers				
a. Previous Year's Surcharge (%)	20.7%	15.5%	15.0%	14.4%
b. This Year's Surcharge ($) divided by line 3 above	15.5%	15.0%	14.4%	13.5%
c. Percent Change to Customer	-2.9%	0.9%	1.2%	1.2%

Defense Logistics Agency
Defense-Wide Working Capital Fund
Supply Management Activity Group
Fiscal Year (FY) 2006/2007 Budget Estimates
War Reserve Material Stockpile
February 2005
FY 2004

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,493.6	1,288.0	205.6
2. Price Change	700.1	700.1	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	353.9	201.3	152.6
(1). Purchases	353.9	201.3	152.6
(2). Returns from customers	-	-	-
b. Issues @ cost	(385.7)	(187.4)	(198.3)
(1). Sales	(385.7)	(187.4)	(198.3)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	(13.5)	(13.2)	(0.3)
(1). Capitalizations	-	-	-
(2). Gains and Losses	(0.7)	-	(0.7)
(3.) Other	(12.8)	(13.2)	0.4
5. Inventory EOP	2,148.4	1,988.8	159.6
WRM STOCKPILE COSTS			
1. Storage	140.6	120.0	20.6
2. Management	4.6	4.5	0.1
3. Maintenance/Other	121.1	121.1	-
Total Cost	266.3	245.6	20.7
WRM BUDGET REQUEST			
1. Obligations @ Cost	368.5	215.9	152.6
a. Additional WRM	-	-	-
b. Replen. WRM	353.9	201.3	152.6
c. Repair WRM	2.4	2.4	-
d. Assemble/Disassemble	12.2	12.2	-
e. Other	-	-	-
Total Request	368.5	215.9	152.6

Defense Logistics Agency
Defense-Wide Working Capital Fund
Supply Management Activity Group: Non-Energy
Fiscal Year (FY) 2006/2007 Budget Estimates
War Reserve Material Stockpile
February 2005
FY 2004

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	353.1	147.5	205.6
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	353.9	201.3	152.6
(1). Purchases	353.9	201.3	152.6
(2). Returns from customers	-	-	-
b. Issues @ cost	(385.7)	(187.4)	(198.3)
(1). Sales	(385.7)	(187.4)	(198.3)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	(13.5)	(13.2)	(0.3)
(1). Capitalizations	-	-	-
(2). Gains and Losses	(0.7)	-	(0.7)
(3.) Other	(12.8)	(13.2)	0.4
5. Inventory EOP	307.8	148.2	159.6
WRM STOCKPILE COSTS			
1. Storage	22.7	2.1	20.6
2. Management	0.1	-	0.1
3. Maintenance/Other	-	-	-
Total Cost	22.8	2.1	20.7
WRM BUDGET REQUEST			
1. Obligations @ Cost	368.5	215.9	152.6
a. Additional WRM	-	-	-
b. Replen. WRM	353.9	201.3	152.6
c. Repair WRM	2.4	2.4	-
d. Assemble/Disassemble	12.2	12.2	-
e. Other	-	-	-
Total Request	368.5	215.9	152.6

Defense Logistics Agency
Defense-Wide Working Capital Fund
Supply Management Activity Group: Supply Energy
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FY 2004

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,140.5	1,140.5	-
2. Price Change	700.1	700.1	-
3. Reclassification	-		-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-		-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-		-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1,840.6	1,840.6	-
WRM STOCKPILE COSTS			
1. Storage	117.9	117.9	-
2. Management	4.5	4.5	-
3. Maintenance/Other	121.1	121.1	-
Total Cost	243.5	243.5	0
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

Defense Logistics Agency
Defense-Wide Working Capital Fund
Supply Management Activity Group
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FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,148.4	1,988.8	159.6
2. Price Change	(62.8)	(62.8)	-
3. Reclassification	156.4	156.4	-
4. Inventory Changes			
a. Receipts @ cost	370.3	218.5	151.8
(1). Purchases	370.3	218.5	151.8
(2). Returns from customers	-	-	-
b. Issues @ cost	(215.2)	(109.8)	(105.4)
(1). Sales	(215.2)	(109.8)	(105.4)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	8.9	-	8.9
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	8.9	-	8.9
5. Inventory EOP	2,406.0	2,191.1	214.9
WRM STOCKPILE COSTS			
1. Storage	123.9	106.2	17.7
2. Management	4.7	4.7	-
3. Maintenance/Other	129.5	129.5	-
Total Cost	258.1	240.4	17.7
WRM BUDGET REQUEST			
1. Obligations @ Cost	370.3	218.5	151.8
a. Additional WRM	60.7	-	60.7
b. Replen. WRM	309.6	218.5	91.1
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	370.3	218.5	151.8

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

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	307.8	148.2	159.6
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	370.3	218.5	151.8
(1). Purchases	370.3	218.5	151.8
(2). Returns from customers	-	-	-
b. Issues @ cost	(215.2)	(109.8)	(105.4)
(1). Sales	(215.2)	(109.8)	(105.4)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	8.9	-	8.9
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	8.9	-	8.9
5. Inventory EOP	471.9	256.9	214.9
WRM STOCKPILE COSTS			
1. Storage	17.7	-	17.7
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	17.7	-	17.7
WRM BUDGET REQUEST			
1. Obligations @ Cost	370.3	218.5	151.8
a. Additional WRM	60.7	-	60.7
b. Replen. WRM	309.6	218.5	91.1
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	370.3	218.5	151.8

Defense Logistics Agency
Defense-Wide Working Capital Fund
Supply Management Activity Group: Supply Energy
Fiscal Year (FY) 2006/2007 Budget Estimates
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	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,840.6	1,840.6	-
2. Price Change	(62.8)	(62.8)	-
3. Reclassification	156.4	156.4	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-		-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-		-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1,934.2	1,934.2	-
WRM STOCKPILE COSTS			
1. Storage	106.2	106.2	-
2. Management	4.7	4.7	-
3. Maintenance/Other	129.5	129.5	-
Total Cost	240.4	240.4	-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

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

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,406.0	2,191.1	214.9
2. Price Change	(170.0)	(170.0)	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	212.2	125.2	87.0
(1). Purchases	212.2	125.2	87.0
(2). Returns from customers	-	-	-
b. Issues @ cost	(216.2)	(109.8)	(106.4)
(1). Sales	(216.2)	(109.8)	(106.4)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	3.6	-	3.6
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	3.6	-	3.6
5. Inventory EOP	2,235.6	2,036.5	199.1
WRM STOCKPILE COSTS			
1. Storage	122.3	104.5	17.8
2. Management	4.9	4.9	-
3. Maintenance/Other	121.5	121.5	-
Total Cost	248.7	230.9	17.8
WRM BUDGET REQUEST			
1. Obligations @ Cost	212.2	125.2	87.0
a. Additional WRM	-	-	-
b. Replen. WRM	212.2	125.2	87.0
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	212.2	125.2	87.0

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

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	471.9	256.9	214.9
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	212.2	125.2	87.0
(1). Purchases	212.2	125.2	87.0
(2). Returns from customers	-	-	-
b. Issues @ cost	(216.2)	(109.8)	(106.4)
(1). Sales	(216.2)	(109.8)	(106.4)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	3.6	-	3.6
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	3.6	-	3.6
5. Inventory EOP	471.5	272.3	199.1
WRM STOCKPILE COSTS			
1. Storage	17.8	-	17.8
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	17.8	-	17.8
WRM BUDGET REQUEST			
1. Obligations @ Cost	212.2	125.2	87.0
a. Additional WRM	-	-	-
b. Replen. WRM	212.2	125.2	87.0
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	212.2	125.2	87.0

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

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,934.2	1,934.2	-
2. Price Change	(170.0)	(170.0)	-
3. Reclassification	-		-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-		-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-		-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1,764.2	1,764.2	-
WRM STOCKPILE COSTS			
1. Storage	104.5	104.5	-
2. Management	4.9	4.9	-
3. Maintenance/Other	121.5	121.5	-
Total Cost	230.9	230.9	-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

Defense Logistics Agency
Defense-Wide Working Capital Fund
Supply Management Activity Group
FY 2006/FY 2007 Biennial Budget Estimates
War Reserve Material Stockpile
February 2005
FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	2,235.6	2,036.5	199.1
2. Price Change	(118.6)	(118.6)	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	223.7	132.0	91.7
(1). Purchases	223.7	132.0	91.7
(2). Returns from customers	-	-	-
b. Issues @ cost	(217.6)	(111.0)	(106.6)
(1). Sales	(217.6)	(111.0)	(106.6)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	3.6	-	3.6
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	3.6	-	3.6
5. Inventory EOP	2,126.7	2,057.5	187.8
WRM STOCKPILE COSTS			
1. Storage	125.0	106.8	18.2
2. Management	5.1	5.1	-
3. Maintenance/Other	109.8	109.8	-
Total Cost	239.9	221.7	18.2
WRM BUDGET REQUEST			
1. Obligations @ Cost	223.7	132.0	91.7
a. Additional WRM	-	-	-
b. Replen. WRM	223.7	132.0	91.7
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	223.7	132.0	91.7

Defense Logistics Agency
Defense-Wide Working Capital Fund
Supply Management Activity Grou: Supply Non-Energy
FY 2006/FY 2007 Biennial Budget Estimates
War Reserve Material Stockpile
February 2005
FY 2007

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	471.5	272.3	199.1
2. Price Change	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	223.7	132.0	91.7
(1). Purchases	223.7	132.0	91.7
(2). Returns from customers	-	-	-
b. Issues @ cost	(217.6)	(111.0)	(106.6)
(1). Sales	(217.6)	(111.0)	(106.6)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	3.6	-	3.6
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	3.6	-	3.6
5. Inventory EOP	481.2	293.3	187.8
	WRM STOCKPILE COSTS		
1. Storage	18.2	-	18.2
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	18.2	-	18.2
	WRM BUDGET REQUEST		
1. Obligations @ Cost	223.7	132.0	91.7
a. Additional WRM	-	-	-
b. Replen. WRM	223.7	132.0	91.7
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	223.7	132.0	91.7

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

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,764.2	1,764.2	-
2. Price Change	(118.6)	(118.6)	-
3. Reclassification	-		-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-		-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-		-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1,645.6	1,764.2	-
WRM STOCKPILE COSTS			
1. Storage	106.8	106.8	-
2. Management	5.1	5.1	-
3. Maintenance/Other	109.8	109.8	-
Total Cost	221.7	221.7	-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Defense Reutilization and Marketing Service (DRMS) Activity Group is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). In FY 04, DRMS received over 3.2 million line items of useable property. DoD inventory managers submit requirements to DLA via automated requisitions using standard requisition and issue procedures. Items received by the DLA Defense Reutilization and Marketing Offices (DRMOs) meeting Military Services item manager criteria are automatically referred through front-end screening notices. The Military Services reutilized $1.2 billion worth of personal property in FY 2004, resulting in savings to the DoD and the Government. If property is not reutilized, it can be transferred to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations. Depending on the nature of the property, the balance may be offered for competitive sale to the public.

In addition to useable property, DRMS received over 500 million pounds of scrap of which, in FY 2004, DRMS sold over 363 million pounds of scrap metal. DRMS also conducts the DoD precious metals recovery program, extracting these commodities from scrap metals. In FY 2004 DRMS recovered over 221 thousand troy ounces of gold, silver and platinum family metals worth over $2 million.

Some types of property require special handling to reduce risk to the public. Property having offensive or defensive characteristics undergoes a demilitarization process to remove those characteristics. In FY 2004, DRMS demilled over 400 thousand line items. Property that may contain small amounts of environmentally regulated substances not easily identifiable, such as electronic scrap, undergoes a demanufacturing process to ensure that no hazardous waste is inadvertently released into the environment.

The DLA disposal mission includes hazardous property disposition. In this capacity, DLA handles the vast majority of DoD property governed by the Resource Conservation Recovery Act (RCRA) of 1976, as amended. Some hazardous material has reutilization and/or sales value and goes through the same process as all other DoD property. In FY 2004, DRMS disposed of over 8,000 line items of hazardous material by R/T/D and sales, which avoided contractual disposal as

hazardous waste. However, once it has been screened for potential reutilization or sales value, all hazardous waste is directly disposed of through contracts managed by DLA and direct funded by the Military Services.

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

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

CHANGES IN OPERATIONS

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

DRMS is experiencing operational and financial impacts from both Operation Enduring Freedom/Operation Iraqi Freedom (OEF/OIF) and the increased scrutiny on disposition of controlled property. The October 2003 “Congressional Hearing of the National Security, Emerging Threats and International Relations Subcommittee of the House Government Reform Committee” resulted in DRMS taking a fresh look at risk management in support of national security. The DRMS Risk Management Program is designed to ensure that a risk assessment is included as part of the equation when making strategic and operational decisions about disposal of excess DoD property. Risk analysis will be used to identify, assess and mitigate the probability that the release of DoD material could be used to cause harm. Risk management will also ensure that potential impacts, agency-wide, are understood and appropriately considered as procedures and business strategies are developed and instituted.

DRMS has also been providing support for the Joint Service Nuclear Biological Chemical (NBC) Defense Equipment Assessment Program which is responsible for ensuring that all NBC assets are accountable in the DoD supply system and that none of these assets leave the DoD supply system without proper tracking. This type of

increased scrutiny may be expanded to additional types of excess property depending on the outcome of the risk management assessment.

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

DRMS's first round A-76 study, completed in June 2000, converted performance of logistics functions at 10 DRMOs from government to contractor performance. In October 2001, DLA announced a second DRMS A-76 study of the property receiving, warehousing, and issuance functions at most of the remaining CONUS DRMOs. Award of this work is expected in the third quarter of FY 2005. Approximately 400 full time equivalents (FTE) will be impacted. In addition, offerors are required to submit a disposal network redesign in order to reduce excess infrastructure. The redesign must include closing storage locations at a minimum of 15 DRMOs. FTE and labor savings budgeted include only most efficient organization (MEO) savings. We expect savings to begin in FY 2006.

DRMS pioneered a joint commercial venture (CV) agreement with a private sector firm, to sell the majority of excess useable property in CONUS. This approach allows DRMS to capitalize on private sector flexibility and agility. As this partnership has matured, GL's performance has continued to improve realizing increasingly better rates of return on sales. DRMS plans to release a sales solicitation, commonly referred to as Scrap Venture, to develop a similar public/private partnership for the sale of scrap.

BUDGET HIGHLIGHTS

TRANSACTION ACTIVITY BILLING:

DRMS recovers approximately 60 percent of their operating costs through Service Level Billing based on Transaction Activity Billing (TAB). The TAB model uses Activity Based Costing (ABC) and disposal workload to allocate the service level billing to the Military Services and DLA Supply based on each component's use of DRMS' services. The special handling and processing of material causes increased costs and reduces proceeds for items being handled by DRMS. To be comparable with private industry in pricing, all DRMS costs allocated to the DLA Supply Management Activity Group is

financed using appropriated funds, in lieu of being included in the item cost.

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

	$ in Millions			
Customer	FY 2004	FY 2005	FY 2006	FY 2007
Army	77.2	63.7	55.3	57.3
Navy	51.7	42.6	36.8	37.6
Air Force	36.1	29.7	25.0	25.7
DLA	46.1	38.8	35.4	36.8
Total	211.1	174.8	152.5	157.4

PERFORMANCE INDICATORS

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

1. FINANCIAL/UNIT COST:

DRMS earns its obligation authority through unit cost goals. This submission continues the DRMS unit cost structure of five business areas that was implemented in FY 2003. This structure more accurately and completely captures the costs and workload to provide compliant disposal services to DoD. The unit cost structure recognizes that: (1) every line item of useable property and every pound of scrap received for disposal incurs processing costs regardless of the method of final disposition; (2) there are types of excess property that require costly special handling (i.e., demilitarization) without generating any economic return to DoD through reutilization or sales; and (3) processes that are being performed through private sector partnerships (i.e., commercial venture sales) incur some cost for government oversight. The unit cost structure is also flexible enough to remain viable during periods of significant process changes.

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

a. **Receiving** unit cost goal is based on the total cost associated with the stock, store and issue (logistics) of

useable property divided by the number of line items of useable property received.

b. **Reutilization/Transfer/Donation (RTD)** unit cost goal is based on the total cost associated with reutilizing, transferring and donating excess personal property divided by line items of property disposed via RTD.

c. **Sales** unit cost goal is based on all costs associated with the public sale of surplus personal property divided by the number of line items of property sold.

d. **Hazardous Waste Disposal** unit cost goal is based on the non-contract costs associated with environmentally regulated disposal of hazardous waste divided by the number of pounds of hazardous waste disposed.

e. **Recycling/Disposal** unit cost goal is based on the cost of either storing in a landfill or destruction of those non-hazardous items, including DEMIL required property and scrap, that remain at the end of the disposal process as well as the cost of all recycling processes divided by the number of pounds of property disposed.

Costs are allocated using an ABC Model. DRMS updates and refines the ABC Model during each budget submission to more accurately capture costs. The FY 2004 actual, and, FY 2005 through FY 2007 estimated goals and workload are reflected below:

Unit Cost Structure

Workload	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate	FY 2007 Estimate
Receiving 1/	3.265	3.075	3.150	3.175
R/T/D 2/	0.255	0.188	0.192	0.194
Sales 2/	0.635	0.446	0.441	0.445
Haz Waste Disp 3/	212.7	210.0	210.0	210.0
Recycling/Disp 3/	1016.8	811.6	762.9	717.1

1/Workload in millions of lines items received
2/Workload in millions of line items disposed
3 Workload in millions of pounds disposed

Unit Cost	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 2007 Goal
Receiving	$28.270	$31.759	$28.373	$29.251
R/T/D	$193.725	$273.404	$245.000	$251.959
Sales	$34.488	$46.099	$42.667	$43.937
Haz Waste Disp	$0.189	$0.196	$0.179	$0.186
Recycling/Disp	$0.048	$0.057	$0.055	$0.061

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

3. PERCENT OF HAZARDUS MATERIAL (HM) DISPOSED BY REUTILIZATION/ TRANFER/DONATION/SALES(R/T/D/S):
This metric is measured by the number of line items of HM disposed by R/T/D/S expressed as a percentage of total line items of HM disposed. Disposing of HM through R/T/D/S prevents the need to expend DoD funds disposing of hazardous waste on a disposal contract, resulting in a cost avoidance for DoD.

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

PERFORMANCE MEASURE	GOAL	FY 2004 ACTUAL	FY 2005 GOAL	FY 2006 GOAL	FY 2007 GOAL
R/T/D	Not less than:	20.55%	17%	17%	17%
Percent of HM Disposed by R/T/D/S	Not less than:	63.9%	58%	58%	58%
Customer Satisfaction Index	Increase to:	89.2%	90%	90%	90%

Workload:

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

The complexity of the workload has also increased resulting from added inspection requirements for excess Nuclear, Biological and

Chemical (NBC) equipment. DRMS ships this property to centralized locations for inspection and processing by experts from the Joint Services Nuclear, Biological and Chemical Command (JSNBC) to ensure the items cannot be used inappropriately.

Endstrength and FTE estimates reflect these increases in volume and complexity of disposal workload.

Revenue projections have been increased for FY 2005, FY 2006 and FY 2007 in both sales proceeds and reimbursables. Sales proceeds are projected to be an average of $16 million per year higher than previously estimated. This is based on having more property available to sell due to higher generations as well as an expectation that the current level of performance by the DRMS' commercial venture partner will continue. The projected sales performance assumes that DRMS will continue to be allowed to sell types and volumes of property consistent with current operations. Should these property streams become more tightly controlled based on risk management assessments, the ability to meet these sales projections will be impacted. Reimbursable revenue growth is from the hazardous waste disposal contracts due to expected increases in workload and price growth within that industry.

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

DRMS experienced a gain of $55.3 million in FY 2004. This gain was based on better than expected sales to the public. Due to increased disposal workload, a larger volume of surplus property is being sold. DRMS' CV partner is also selling at a higher rate of return than expected. This is due to both a reduction in operating costs and the expansion of innovative sales methods such as internet sales.

The FY 2005 projected loss is due to one time costs expected at the conclusion of the A-76 Round 2 competition. Additional costs are also expected due to the increasingly stringent controls placed on types of property that have been determined to be a high security risk (i.e., NBC). In addition, costs to support OEF/OIF have grown due to the need to support a military force two and one-half times larger than expected spanning more areas of operation.

FY 2006 reflects a loss due to the return of prior year AOR profits allowing breakeven by the end of the budget period. Costs in FY 2006 reflect the expected savings from A-76 Round 2.

NOR/AOR($ in Millions)

FY 2004	FY 2005	FY 2006	FY 2007

Revenue	349.9	302.1	281.0	289.4
Expenses	294.6	331.8	310.4	322.8
Operating Result	55.3	-29.7	-29.4	-33.4
Other Changes Affecting NOR	0.0	0.0	0.0	0.0
NOR	55.3	-29.7	-29.4	-33.4
Prior year AOR	37.2	92.5	62.8	33.4
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
AOR	92.5	62.8	33.4	0.0

MILITARY AND CIVILIAN PERSONNEL

Reductions in employment levels, without degradation of mission support, are achieved primarily by automation and management improvements. The increase to FY 2004 FTE/ES numbers were due to requirements of OEF/OIF and additional handling and inspection requirements for NBC related material. The FY 2005 and FY 2006 numbers reflect A-76 Round 2 reductions.

The table identifies budget estimates for full-time equivalents and end strength for DRMS and corporate allocations. Full time equivalents are coming down 14% over the budget period.

Military and Civilian Personnel

	FY 2004	FY 2005	FY 2006	FY 2007
End Strength				
Military	9	9	9	9
Civilian	1,694	1,533	1,456	1,463
Total	1,703	1,542	1,465	1,471
Full-time Equivalents				
Military	9	9	9	9
Civilian	1,717	1,607	1,465	1,476
Total	1,726	1,616	1,474	1,485

CAPITAL EXPENDITURES

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

Beginning in FY 2006 DRMS will begin the Reutilization Modernization Program (RMP). RMP is planned to satisfy new mission system requirements using a COTS approach. The investment includes costs associated with the purchase of demand planning, commercial

inventory management, and property accounting software to replace DRMS legacy applications. The investment will also include integration with DLA's Enterprise Resource Planning System. By leveraging information technology to synchronize DRMS operations with the supply chain, RMP will target essential processes to facilitate worldwide reuse, recycling and disposal solutions using a financially compliant business system.

Minor Construction projects are to enhance operations at various storage facilities to promote proper handling of hazardous materials, hazardous waste, and items requiring demilitarization. Minor construction projects in FY 2006 and FY 2007 will alter facilities to accommodate mission consolidation and relocation, renovate demilitarization facilities and upgrade security facilities. The table below depicts the capital program budget authority for FY 2004 through FY 2007:

Capital Program Budget Authority
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Non-ADP Equipment	1.5	0.7	1.2	1.2
ADP Equipment	0.0	0.1	0.0	0.0
Software Development	0.7	1.0	19.5	10.7
Minor Construction	5.0	3.0	2.0	2.0
Total	7.2	4.8	22.7	13.8

Defense Logistics Agency
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Services
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Changes in the Costs of Operation
February 2005
($ in Millions)

		EXPENSES
FY 2004 **Actual**		294.6
FY 2005 Estimate in President's Budget		299.7
Estimated Impact in FY 2005 of Actual FY 2004 Experience:		37.2
Pricing Adjustments		6.8
Labor	4.2	
Nonlabor	2.6	
Program Changes		30.4
Civilian Personnel Cost	17.8	
Military Personnel Cost	0.0	
Travel of Persons	-0.2	
Supplies	1.6	
Equipment	0.6	
Intrafund Purchases	-0.3	
Transportation of Things	-7.1	
Depreciation	-0.7	
Other Purchased Services	18.8	
FY 2005 Current Estimate		331.8
FY 2005 Current Estimate		331.8
Pricing Adjustments:		7.2
Labor	3.1	
Nonlabor	4.1	
Program Changes		-28.6
Civilian Personnel Cost	-16.7	
Military Personnel Cost	0.0	
Travel of Persons	0.0	
Supplies	-0.1	
Equipment	-1.7	
Intrafund Purchases	0.5	
Transportation of Things	-0.3	
Depreciation	0.1	
Other Purchased Services	-10.4	
FY 2006 Current Estimate		310.4
FY 2006 Current Estimate		310.4
Pricing Adjustments:		7.4
Labor	3.3	
Nonlabor	4.1	
Program Changes		4.9
Civilian Personnel Cost	-0.7	
Military Personnel Cost	0.0	
Travel of Persons	0.0	
Supplies	-0.1	
Equipment	-0.9	
Intrafund Purchases	-1.8	
Transportation of Things	-0.4	
Depreciation	2.3	
Other Purchased Services	6.4	
FY 2007 Current Estimate		322.8

DEFENSE LOGISTICS AGENCY
Defense Wide-Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Source of New Orders and Revenue
February 2005
($M)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components	273.5	242.8	220.5	228.4
Army	104.3	95.4	87.0	90.4
Navy	68.7	61.9	56.2	57.8
Air Force	51.4	44.8	40.1	41.4
Other	49.1	40.6	37.2	38.7
b. Orders from Other Fund Activity Groups	4.9	8.8	9.0	9.2
c. Total DoD	278.4	251.6	229.6	237.6
d. Other Orders:	1.9	3.0	2.9	2.8
Other Federal Agencies	0.9	1.5	1.5	1.5
Foreign Military Sales	1.0	1.5	1.4	1.3
Total New Orders	280.3	254.6	232.5	240.4
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	280.3	254.6	232.5	240.4
4. Sales Proceeds	69.6	47.5	48.5	49.0
5. Total Gross Sales	349.9	302.1	281.0	289.4

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Defense Reutilization and Marketing Service
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Revenue and Expenses
February 2005
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue				
Sales				
Operations	349.9	302.1	281.0	289.4
Total Income:	349.9	302.1	281.0	289.4
Expenses				
Salaries and Wages:				
Military Personnel Compensation & Benefits	0.8	0.8	0.8	0.8
Civilian Personnel Compensation & Benefits	96.2	118.2	104.6	107.1
Travel & Transportation of Personnel	5.0	4.9	4.9	5.0
Materials & Supplies (For Internal Operations)	0.9	2.5	2.5	2.5
Equipment	7.0	7.7	6.1	5.4
Other Purchases from Revolving Funds	14.7	14.6	15.4	14.0
Transportation of Things	30.7	24.0	24.2	24.3
Depreciation - Capital	9.4	8.7	8.8	11.1
Printing and Reproduction	-0.1	0.4	0.4	0.4
Advisory & Assistance Services	0.3	0.3	0.3	0.3
Rent, Communication, Utilities & Misc. Charges	5.9	3.7	4.1	4.2
Other Purchased Services	123.7	146.0	138.3	147.6
Total Expenses	294.6	331.8	310.4	322.8
Operating Result	55.3	-29.7	-29.4	-33.4
Adjustments Affecting NOR/AOR	0.0	0.0	0.0	0.0
Net Operating Result	55.3	-29.7	-29.4	-33.4
Prior Year Adjustments -- Prior Year AOR	37.3	92.5	62.8	33.4
Other Changes Affecting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result	92.5	62.8	33.4	0.0
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Result for Budget Purposes	92.5	62.8	33.4	0.0

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2006 FY 2007 BUDGET ESTIMATES
DISTRIBUTION DEPOTS

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA line items. These items consist of wholesale DoD weapon systems parts and other defense related consumable items to include medical, clothing, subsistence, electrical, industrial and general supplies. In FY 2004, the distribution depots, by location and component are:

DLA
Columbus, OH
Richmond, VA
Susquehanna, PA
Map Support, Richmond, VA
Germersheim, Germany
San Joaquin, CA

Navy
Cherry Point, NC
Jacksonville, FL
Norfolk, VA
Puget Sound, WA
San Diego, CA
Pearl Harbor, HI
Yokosuka, Japan
Sigonella, Italy
Guam, Marianas

Army
Corpus Christi, TX
Red River, TX
Tobyhanna, PA
Anniston, AL
Camp Arifjan, Kuwait
Camp Carroll,Korea

Air Force
Hill, UT
Oklahoma City, OK
Warner Robins, GA

Marines
Albany, GA
Barstow, CA

These depots, strategically located throughout the world, received and issued 25.7 million secondary lines and warehoused and maintained over 120.8 million cubic feet of material. The Defense Distribution Depot network ensures that America's war fighters receive the best value distribution services.

CHANGES IN OPERATIONS

DLA's challenge is to transform to meet the expectations and needs of our customer, the warfighter, while continually reducing cost, improving customer wait time, increasing consistency, and increasing product and service quality. These responsibilities, coupled with decreasing resources, will require increased innovation and technology.

Since "9/11", the Distribution Depot Activity Group has seen unprogrammed increases in workload and transportation costs. In addition, Operation Iraqi Freedom presented other challenges including setting up a new strategic location for operations in support of Central Command (CENTCOM); incurring exceptionally high transportation costs due to the destination, volume, weight

and priority of items being sent, and increases in supplies (nets, pallets, and radio frequency (RF) tags).

The continuing challenge is to identify the most cost-effective way of getting the right product to the right place at the right time while facing downsizing, an aging workforce, and A-76 competition and resulting transitions. Warfighters are requiring DLA to change business practices to reduce customer wait time, meet time-definite delivery standards, and reduce costs. Understanding both tactical and strategic supply chain management and DLA's role in creating the DoD distribution system for the 21st century is critical. Some of the cost increases DLA experienced during FY 2004 and those projected over the budget period include:

- Workload – Receipts and issues have increased 5.4 million lines (25.6 percent) over the initial FY 2004 estimate mainly due to support for Operation Enduring Freedom (OEF) and Iraqi Freedom (OIF). DLA is projecting an even higher workload (26.5) million lines through FY 2006 due to troop consumption, increased depot maintenance, and troop rotations with a gradual reduction during the budget period.

- Transportation – Distribution continued to experience skyrocketing transportation costs during FY 2004 due to OEF/OIF. The FY 2005 through FY 2007 estimates continue to exceed $1 billion for the continued support of theater operations, increased air shipments, increased shipment volumes and weights, and increased freight surcharges.

- Stock Positioning – To get materiel to the customer more efficiently, DLA is increasing the number of stocked items located at Defense Depot Susquehanna and Defense Depot San Joaquin. The new stock positioning policy will utilize DLA's Enterprise Resource Planning System.

- Overseas Distribution Centers – To further support the warfighter in theater, the budget includes the establishment of four new depots overseas. This budget reflects full funding for these new depots. This initiative will reduce customers wait time while maximizing the cost benefits of less expensive surface transportation.

    - Sigonella, Italy Depot (DDSI) – DLA began physical distribution operations in Sigonella, Italy during April FY 2004, to support the customers of the Mediterranean Fleet.

- o Guam Marianas Depot (DDGM) – DLA commenced operations at the Defense Distribution Depot Guam Marianas in October 2004 as a contract operation in support of the Pacific Fleet.

- o Camp Carroll, Korea Depot (DDDK) and Camp Arifjan, Kuwait (DDKS) – These two sites have been selected to support customers in the theaters where the distribution centers will have the greatest impact and support to the warfighter. DDKS is a contract operation that commenced operations in August 2004. DDDK commenced organic operations in January 2005.

- Reimbursable (Kitting) Support – DLA customers are demanding more tailored service. This includes the assembly of components and assemblies into sets, outfits, and kits for use by tactical and maintenance activities that increase the effectiveness and efficiency of logistics operations.

- Radio Frequency Identification (RFID) – The RFID program consists of two technologies: (1) active tags, which are placed on air pallets and sea-vans, and (2) passive tags which are placed on crates and packages. The DLA has been purchasing active tags for selected shipments to CENTCOM for several years in support of OIF/OEF. Recent Departmental policy was signed July 30, 2004. It requires an expansion of active tag usage and requires that passive tags be placed on case/pallet packaging beginning in January 2005. DLA is a key enabler in this effort. The policy also stated that the cost of implementing and operating RFID technology is considered a normal cost of transportation and logistics and for DWCF activities will be funded through the DWCF. Estimated DLA Distribution costs for RFID program implementation are:

($M)	FY 04 Actual	FY 05 Projected	FY 06 Projected	FY 07 Projected
Active Tags	$11.0	$13.0	$13.0	$9.8
Operating	$11.0	$13.0	$13.0	$9.8
Capital	-	-	-	-
Passive Tags	$1.6	$8.0	$20.9	$10.5
Operating	-	$2.0	$6.4	$4.5
Capital	$1.6	$6.0	$14.5	$6.0
Total	$12.6	$21.0	$33.9	$20.3

Distribution Active RFID costs for FY 2005-2007 are estimated at $35.8 million. Passive RFID costs are estimated to be $26.5M. Passive tag implementation will begin in FY 2005 at Defense Distribution Depot Susquehanna, PA (DDSP) and Defense

Distribution Depot San Joaquin, CA (DDJC). We expect full implementation at all depots by FY 2007.

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

- Strategic Distribution Enhancements –
  - Increase dedicated truck routes allowing for shipments to be consolidated and directed from premium/unscheduled modes of transportation to existing scheduled/dedicated truck routes at a significant cost reduction.
  - Divert shipments to new scheduled service. Shipping to customers via scheduled/dedicated truck provides time-definite delivery at the lowest cost. Adding additional stop-offs to existing routes allows small customers to receive scheduled/dedicated truck support at a marginal additional cost.

- Distribution Planning and Management System (DPMS) - DPMS will allow DLA to evaluate and optimize transportation planning operations to better manage materiel flow from vendors and distribution centers to the customer. The use of DPMS will allow DLA to ultimately lower transportation costs.

- Inventory “SWARM” – The “SWARM” initiative was developed to correct storage deficiencies that contributed to erroneous record balances. These records would sometimes indicate materiel was not on hand at the depot, when in fact it was simply in an incorrect location on the depot. This led to erroneous materiel denials. The “SWARM” initiative dedicates additional resources to reconciliation of record balances with on-hand inventory and a training program for depot personnel to insure a thorough understanding of proper storage procedures. Through this program, DLA plans to meet a more aggressive inventory accuracy performance goal by FY 2007.

- A-76 competitions - As of September 2004, DLA had completed twelve of twenty A-76 studies. The twelve completed studies resulted in six in-house wins and six contractor wins. Tobyhanna, Pennsylvania; Puget Sound, Washington; and Corpus Christi, Texas are currently in the transition phase. Three sites: Tobyhanna is scheduled for conversion to Most Efficient Organization (MEO) effective February, 2005 and Puget Sound converted to MEO effective December, 2004. Corpus Christi will convert to MEO effective June, 2005.

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

Completed Studies	FTE's	Winning Entity
Depot Columbus, OH	55	Government MEO
Depot Barstow, CA	170	EG&G Logistics Inc.
Depot Warner Robins, GA	647	LESCO (as of 12/1/04)
Depot Jacksonville, FL	152	MANCON
Depot Cherry Point, NC	131	LABAT-Anderson
Depot Richmond, VA	500	Government MEO
Depot Albany, GA	165	Government MEO
Depot Hill, UT	552	EG&G Logistics Inc.
Depot San Diego, CA	411	LABAT-Anderson
Depot Tobyhanna, PA	120	Government MEO
Depot Puget Sound, WA	93	Government MEO
Depot Corpus Christi, TX	124	Government MEO

Seven studies, involving 2,246 FTEs, are waiting to be announced. Because of new office of Management and Budget policy (Circular-A76), studies that could not be completed in the 36-month time frame were cancelled and will be re-announced. The table below details the eight planned or in-progress A-76 studies.

Studies Underway or Planned	FTE's	Status
Depot Anniston, AL	239	*PWS Under Development
Depot Red River, TX	626	Study to Be Announced
Depot Oklahoma City, OK	687	Study to Be Announced
Depot Norfolk, VA	530	Study to Be Announced
SDP's Susquehanna, PA	136	Study to Be Announced
& San Joaquin, CA	66	Study to Be Announced
Depot Pearl Harbor, HI	122	Study to Be Announced
Depot Hill, UT (DEPMEDS)	79	Study to Be Announced

* PWS: Performance Work Statement

Estimated costs/assumptions for the competitions are as follows:
(1) Study costs estimated at $4,000 per FTE;
(2) Separation costs for projected personnel reductions and contract conversions estimated at $28,000 per FTE.

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

Performance Indicators:

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

FINANCIAL:

- Manage Operating Results, as measured by traditional Net Operating Result(NOR)/Accumulative Operating Result (AOR) metrics. This budget submission reflects a projected AOR of $0 for FY 2007.

- Minimize Total Supply Chain Costs, as measured by Unit Cost for Distribution services. This submission establishes a projected unit cost rate (excluding transportation) for receipts and issues of $21.78 for FY 2006 reflecting the agency's continuing focus on improved efficiency and decreasing the cost of doing business.

- Promote Confidence in Financial Stewardship, as measured by the activity group's ability to achieve and complete specific assigned milestones in the Agency's Chief Financial Officer (CFO) improvement plan. This activity group is current on all assigned milestones.

CUSTOMER:

- Improve Customer Satisfaction, as measured by an overarching customer satisfaction index. This index is based on customer survey feedback and is based on the percentage of customers who are satisfied/very satisfied with the activity group's performance. Current performance is at 89.2%, and is on target to meet the FY 2004 goal of 90%.

LEARNING & GROWTH:

- Deliver Proper Knowledge & Skills, as measured by the ability for employees to complete training and achieve competency in the areas identified in their Individual Development Plans. The activity group is on target to meet the goal of completing 90% of all planned training for the current fiscal year. Target goal for future years has been established at 95%.

INTERNAL PROCESS:

- Implement Perfect Order Fulfillment, as measured by ability to process requisitions within established timeframes. Current targets are to process 90% of high priority requisitions and 80% of routine requisitions within one day. Current performance levels are at 80.3% and 66.6%, respectively, reflecting the impact of current high volume workload and requisitions in support of OEF/OIF.

- Improve Inventory Accuracy, as measured by the ability to achieve activity group performance goals for Materiel Denials and Materiel Adjustments. The metric for materiel denials measures the percentage of requisitions denied against total requisitions. This metric was recently re-evaluated and made more stringent (from .8% to .5%). Current performance being .51%. The materiel adjustments metric is currently being established and will reflect a measure of the accuracy of inventory based on the variability of financial adjustments affecting inventory record balances.

PERSONNEL PROFILE:

End strength dropped from 25,372 in FY 1992 to a projected 8,781 in FY 2005, a reduction of 16,591 personnel, or a 65% decrease. Reductions in-force (RIF)to date have been accomplished mainly through the use of Voluntary Separation Incentive Pay (VSIP) and Voluntary Early Retirement Authority (VERA). To maintain the appropriate balance of workforce to workload, additional RIFs will be conducted, as necessary, during FYs 2005-2007. End strength and FTEs increased during FY 2005 due to higher workload for the sustainment of OEF/OIF, A-76 schedule changes, new overseas depots, and stock positioning. The decrease in FY 2007 is due to A-76 and completion of stock positioning. DLA is utilizing workload and workforce re-distribution as well as term employees whenever practical to be able to better respond to workload fluctuations.

	FY 2004	FY 2005	FY 2006	FY2007
Civilian End Strength	8,231	8,781	8,927	8,004
Civilian Full Time Equivalents (FTEs)	8,042	8,816	8,788	8,406
Military End Strength	121	121	115	115

BUDGET HIGHLIGHTS:

WORKLOAD:

Lines Received and Shipped:

Lines processed (either received or shipped) are the basic work count. Workload estimates have increased to capture OEF/OIF requirements, increased maintenance depot workload, and troop rotations through 2006. These estimates reflect the latest forecasts.

Lines Received and Shipped (Millions)

FY 2004	FY 2005	FY 2006	FY 2007
25.7	26.5	26.5	25.8

Storage:

Using Net Landed Cost for storage, DLA bills the customer for materiel (based upon total item cube) stored in DLA's warehouses. In so doing, DLA has fully automated a previously manual process and has brought storage billing into real-time billing. This visibility allows DLA's customers to determine the level of inventory and type of storage they require from DLA. The correction of storage data through a joint Service effort continues to result in more accurate item cube data. In FY 2004 DLA experienced a 9.8 million cubic foot (CF) increase in utilized space above the 79.8 million estimated. This is offset somewhat by a decrease in open storage of 0.8 million CF below the 28.5 million CF estimate. The 3% reduction for covered and the 9% reduction in open storage during the budget period represents a projection of decreasing Service inventory requirements. Current estimates through the budget period are:

	Item Cube (Millions CF) 1/			
	FY 2004	FY 2005	FY 2006	FY 2007
Covered Storage Space	89.6	88.6	88.6	86.9
Open Storage Space	27.7	25.7	25.7	25.2
Specialized Storage Space	3.5	3.7	3.7	3.6

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

REVENUE:

Revenue for the Distribution Depot Activity Group consists of payments from the Supply Management Activity Groups of DLA and Military Services for lines received and shipped, storage space occupied, and special project work. Additionally, since the beginning of OEF/OIF, we receive Operations and Maintenance (O&M) funds from the Military Services for over-ocean transportation.

Lines Received and Shipped:

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

Net Landed Cost Rates

		FY 04 Actual	FY 05 Actual	FY 06	FY 07	
Receipt						
Base		$ 24.73	$ 22.25	$ 23.94	$ 25.54	per line
Plus						
	1-40 lbs.	$ 0.81	$ 0.76	$ 0.81	$ 0.86	per line
	41-150 lbs.	$ 9.35	$ 8.76	$ 9.35	$ 9.94	per line
	151-2000 lbs.	$ 24.02	$ 19.95	$ 21.29	$ 22.65	per line
	2000+ lbs.	$ 0.0108	$ 0.0101	$ 0.0108	$ 0.0115	per lb. + 151-2000 rate
Return		$ 3.90	$ 3.66	$ 3.91	$ 4.15	per line additional
Hazardous		$ 13.11	$ 12.29	$ 13.11	$ 13.95	per line additional
Hard-to-Handle		$ 13.11	$ 12.29	$ 13.11	$ 13.95	per line additional
Issue						
Onbase		$ 11.02	$ 9.95	$ 10.82	$ 11.58	per line
Plus						
	1-40 lbs.	$ 0.81	$ 0.76	$ 0.81	$ 0.86	per line
	41-150 lbs.	$ 9.35	$ 8.76	$ 9.35	$ 9.94	per line
	151-2000 lbs.	$ 27.02	$ 19.95	$ 21.29	$ 22.65	per line
	2000+ lbs.	$ 0.0108	$ 0.0101	$ 0.0108	$ 0.0115	per lb. + 151-2000 rate
Offbase		$ 15.07	$ 13.41	$ 15.66	$ 16.02	per line
	1-40 lbs.	$ 1.56	$ 1.46	$ 1.56	$ 1.66	per line
	41-150 lbs.	$ 21.56	$ 20.17	$ 21.52	$ 22.90	per line
	151-2000 lbs.	$ 50.97	$ 39.95	$ 42.63	$ 45.35	per line
	2000+ lbs.	$ 0.0159	$ 0.0149	$ 0.0159	$ 0.0169	per lb. + 151-2000 rate
Hazardous		$ 13.11	$ 12.29	$ 13.11	$ 13.95	per line additional
Controlled Item		$ 6.20	$ 5.81	$ 6.20	$ 6.60	per line additional
Hard-to-Handle		$ 13.11	$ 12.29	$ 13.11	$ 13.95	per line additional
FMS		$ 6.36	$ 5.96	$ 6.36	$ 6.77	per line additional
Out-of-Cycle		$ 17.89	$ 16.77	$ 17.90	$ 19.04	per line additional
Local Delivery		$ 1.34	$ 1.26	$ 1.34	$ 1.43	per line additional
Issue from Receiving						
Base		$ 1.17	$ 1.10	$ 1.37	$ 1.53	per line
Plus						
1-40 lbs.		$ 0.81	$ 0.76	$ 0.81	$ 0.86	per line
41-150 lbs.		$ 9.35	$ 8.76	$ 9.35	$ 9.94	per line
151-2000 lbs.		$ 27.02	$ 19.95	$ 21.29	$ 22.65	per line
2000+ lbs.		$ 0.0108	$ 0.0101	$ 0.0108	$ 0.0115	per lb. + 151-2000 rate
Transshipments						
Mark For		$ 5.42	$ 5.08	$ 5.49	$ 5.87	per line
Onbase		$ 10.42	$ 9.77	$ 10.49	$ 11.21	per line
Offbase		$ 20.50	$ 19.22	$ 20.59	$ 21.93	per line
Materiel Processing Center		$ 5.48	$ 5.48	$ 5.48	$ 5.48	per line
	1-40 lbs.	$ 1.56	$ 1.46	$ 1.56	$ 1.66	per line
	41-150 lbs.	$ 21.52	$ 20.17	$ 21.52	$ 22.90	per line
	151-2000 lbs.	$ 50.97	$ 39.95	$ 42.63	$ 45.35	per line
	2000+ lbs.	$ 0.0159	$ 0.0149	$ 0.0159	$ 0.0169	per lb. + 151-2000 rate
Estimated Transportation		$ 214,202,000	$ 210,600,000			
Total Processing Cost		$ 685,674,000	$ 689,686,000			
Composite Rate (without Transportation)		$ 21.54	$ 20.19	$ 21.78	$ 23.17	
Workload		25.7 M Lines	26.5M Lines	26.5M Lines	25.8M Lines	

Storage Rates. DLA has applied Activity Based Costing (ABC) techniques by looking at the cost drivers for storage and has realigned costs accordingly.
Infrastructure still continues to be in excess of distribution depot requirements. These savings are passed to the customer in the form of lower rates. Under Net Landed Cost for storage, DLA's customers are provided item cube data at the national stock number level by distribution center in order to help the customer make better sourcing decisions. To the extent possible, DLA is continuing to vacate warehouses and return them to hosts/owners.

During FY 2004, DLA reduced our customer storage rates by $51.2 million, the amount we attribute to unused storage space. For FY 2005 and FY 2006, this reduction will not apply to the storage rates but will be evident in our reduced cost of DLA supply items sold.

Customer Rate
Average Cost Per Cubic Foot

	FY 2004	FY 2005	FY 2006	FY 2007
Covered Storage	$2.515	$3.195	$3.122	$3.173
Open Storage	$0.524	$0.669	$0.901	$0.902
Specialized Storage	$3.695	$4.828	$4.289	$4.463

Reimbursables. DLA charges two rates to capture customer directed workload performed: 1) at DLA facilities, and 2) at customer facilities. DLA's hourly rates reflect costs for a workload estimate of 1.3 million hours through the budget period.

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

	FY 2004	FY 2005	FY 2006	FY 2007
DLA Facilities	$64.07	$63.71	$63.46	$65.53
Non-DLA Facilities	$53.50	$50.97	$50.77	$52.42

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

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

During FY 2004, DLA continued experiencing increased transportation costs as a result of higher fuel costs, increased air shipments, and increased tonnage in support of OEF/OIF. The CCP workload escalated to an annual level of 4.4 million line items processed, which is approximately 132% increase over FY 2003. Along with this increased workload, expenditures for the purchase of RF tags as well as additional

pallets, nets and containers in support of CCP operations pushed our total costs for OOT/CCP to an unprecedented level of $1.370 billion in FY 2004. Our current FY 2005 estimate of $1.252 billion anticipates a continued rate reduction into the Middle East and a more traditional mix of surface and air shipments. However, we expect OEF/OIF support will remain high.

In the FY 2005 DoD Appropriations Bill, Title IX-"Additional War-Related Appropriations" DLA was given $132 million in supplemental funding for over-ocean transportation in support of OEF/OIF. As of January, $36.8 million has been obligated.

Operating Result. The FY 2006/FY 2007 rates are based on full cost recovery. Some of the changes in operations mentioned above are funded with positive revenue gain in processing and storage based on a positive revenue gain during FY 2004 and FY 2005 to offset the FY 2003 loss. Our FY 2005 cost increased $921.9 million over our previous President's Budget estimate. The major cost increases were for: (1) increased over-ocean transportation costs totaling $772 million, (2) additional workload increased cost $68 million, (3)overseas distribution centers for $30 million, and (4)RFID tags for $15 million.

In order to fully fund our initiatives to reinvest for readiness, we will need to collect all revenue from our customers. Due to the large unexpected transportation costs resulting from the Global War on Terrorism, full customer funding was not available in FY 2003 but was budgeted and provided in the FY 2004 Supplemental. For FY 2005 we assume collection of FY 2004 uncollected bills but estimate 10 percent non-collection of FY 05 bills in FY 05. This budget projects a positive AOR by the end of FY 2005 due to gains in processing and storage areas due to higher workload. This projected AOR is returned to the customers in FY 2006 and FY 2007. However, in accordance with DoD policy, to the extent that the rates do not generate sufficient cash, a surcharge should be added for cash to ensure solvency. As such, we have included a cash surcharge of $126.0 million and $144.4 million in FY's 2006 and 2007 respectively. Our operating result below estimates full recovery of transportation losses in FY 2004 and 2005, increased workload gains, and funding current year costs to realize future year savings and readiness.

Our assumptions subscribe to achieve DLA's performance commitment to our customers and to achieve the estimated NOR shown below:

NOR/AOR
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue	3,042.2	2451.7	2,656.3	2,332.1
Expenses	2,413.6	2,549.9	2,559.2	2,389.4
Operating Result	628.6	(98.2)	97.1	(57.3)
Other Changes Affecting NOR	0.0	0.0	(126.0)	(144.4)
NOR	628.6	(98.2)	(28.9)	(201.7)
Prior year AOR	(299.8)	328.8	230.6	201.7
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
AOR	328.8	230.6	201.7	0.0

Capital Investments:

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

	(Dollars in Millions)			
	FY 2004	FY 2005	FY 2006	FY 2007
Equipment (non-ADP)	$20.2	$19.1	$15.5	$17.9
Equipment (ADP/T)	$7.6	$12.2	$18.1	$11.4
Software Development	$19.2	$8.5	$15.7	$8.0
Minor Construction	$8.6	$8.9	$9.3	$8.9
TOTAL	$55.6	$48.7	$58.6	$46.1

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

In FY 2007 the capital budget estimate decreases as RFID is implemented at OCONUS sites and the Distribution Planning Management System (DPMS) is deployed. DPMS will provide process integration to evaluate and optimize, at a global level, transportation operations. It will also integrate information about transportation rates, routes, carrier capacities and customer service requirements to better manage asset visibility and cost. DPMS is planned to reach Full Operational Capacity (FOC) in FY 2006.

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

		EXPENSES	
FY 4 Estimated Actual		2,413.6	
FY 05 Estimate in President's Budget		2,219.3	
Estimated Impact in FY 05 of Actual FY 04 Experience:			
Depreciation		10.8	
Personnel Costs		11.0	
Supplies and Material		5.2	
Travel and Transportation of Personnel		2.9	
Transportation		(61.8)	
Interfund Purchases		9.5	
Other Purchased Services		8.2	
Equipment		9.7	
Pricing Adjustments:			
Annualization of FY 04 Pay Raise		4.7	
FY 05 Pay Raise		5.8	
General Purpose Inflation		35.5	
Program Changes:			
Forward Support-Bahrain		(4.0)	
Radio Frequency Tags		2.1	
A-76		8.2	
Over Seas Depots		27.7	
Increased Workload		60.8	
FY 05 Current Estimate		**2,549.9**	

Exhibit Fund-2 Changes in the Costs of Operation

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

		EXPENSES	
FY 05 Current Estimate		**2,549.9**	
Pricing Adjustments:			
Annualization of FY 05 Pay Raise		1.9	
FY 06 Civilian Personnel Pay Raise		8.9	
General Purpose Inflation		37.5	
Program Changes:			
Transportation		(65.0)	
RFID		4.5	`
Facilities Sustainment		21.5	
FY 06 Estimate		**2,559.2**	
Pricing Adjustments:			
Annualization of FY 06 Pay Raise		4.2	
FY 07 Civilian Personnel Pay Raise		12.4	
General Purpose Inflation		42.0	
Program Changes:			
Facilities Sustainment		15.8	
VSIP/VERA		20.2	
Workload Increase		7.2	
Hub and Spoke		(21.0)	
Transportation		(250.6)	
FY 07 Estimate		**2,389.4**	

Exhibit Fund-2 Changes in the Costs of Operation

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

	FY 04	FY 05	FY 06	FY 07
1. New Orders				
a. Orders from DoD Components:	1,567.3	883.5	1,098.0	845.3
Other Services (Appropriated)				
DLA	5.0	10.4	4.1	2.6
Army	1,197.8	751.9	979.1	728.3
Navy	130.5	36.1	33.3	33.0
Air Force	149.8	59.3	54.8	54.2
Marine Corps	66.9	7.3	6.7	6.7
QOL	2.6	2.6	4.3	3.7
DDMA	14.6	15.9	15.8	16.9
b. Orders from Other Working Capital Fund Activity Groups:	1,474.9	1,568.2	1,558.3	1,486.8
DLA	644.3	648.2	689.3	655.4
Army	466.2	395.7	377.7	359.0
Navy	147.9	210.2	195.4	188.0
Air Force	188.2	300.2	282.4	271.8
Marine Corps	28.3	13.8	13.4	12.5
c. Total DoD:	3,042.2	2,451.7	2,656.3	2,332.1
d. Other Orders:	0.0	0.0	0.0	0.0
Other Federal Agencies				
Trust Fund				
Non Federal Agencies				
Foreign Military Sales				
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	3,042.2	2,451.7	2,656.3	2,332.1
4. Funded Carry-over	0.0	0.0	0.0	0.0
5. Total Gross Sales	3,042.2	2,451.7	2,656.3	2,332.1

Exhibit Fund 11- Source of Revenue

Defense Logistics Agency
Defense-Wide Working Capital Fund
Distribution Depots Activity Group
Fiscal Year (FY) 2006/FY2007 Budget Estimates
Revenue and Expenses
(Dollars in Millions)

	FY 04	FY 05	FY 06	FY 07
Revenue:				
Gross Sales	0.0	0.0	0.0	0.0
Operations	3,012.8	2,411.5	2,613.5	2,292.9
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation excluding Maj Const	29.4	40.2	42.8	39.2
Other Income				
Total Income:	3,042.2	2,451.7	2,656.3	2,332.1
Expenses:				
Cost of Material Sold from Inventory	0.0	0.0	0.0	0.0
Salaries and Wages:				
Military Personnel	11.0	11.8	12.2	12.6
Civilian Personnel	437.2	493.4	505.0	521.1
Travel & Transportation of Personnel	5.7	9.7	7.8	7.9
Materials & Supplies (for Internal Operations)	65.5	72.4	77.8	76.2
Equipment	31.9	30.4	31.4	32.2
Other Purchased Services from Revolving Funds	83.6	53.3	54.9	56.5
Transportation of Things	1,576.2	1,515.5	1,458.5	1,256.1
Depreciation-Capital	29.4	40.2	42.8	39.4
Printing and Reproduction	5.5	0.3	0.3	0.3
Advisory and Assistance Services	0.7	1.8	1.8	1.8
Rent, Communication, Utilities, & Misc. Charges	16.0	12.6	12.3	12.5
Other Purchased Services	150.9	308.5	354.4	372.8
Total Expenses	2,413.6	2,549.9	2,559.2	2,389.4
Operating Result	628.6	(98.2)	97.1	(57.3)
Less Capital Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0	0.0
Other Changes Affecting NOR/AOR*	0.0	0.0	(126.0)	(144.4)
Net Operating Result	628.6	(98.2)	(28.9)	(201.7)
Prior Year AOR	(299.8)	328.8	230.6	201.7
Accumulated Operating Result	328.8	230.6	201.7	(0.0)
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Results for Budget Purposes	328.8	230.6	201.7	(0.0)

Defense Logistics Agency
Defense Wide Working Capital Fund (DWWCF)
Document Automation and Production Service
Fiscal Year (FY) 2006/2007 Budget Submission

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

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 185 production facilities.

CUSTOMERS: DAPS' primary customers are Army (21.3 percent), Navy (28.9 percent), Air Force (24.1 percent), Defense Agencies (17.3 percent), and non-DoD customers (8.4 percent). Both appropriated and DWCF-funded activities are included in each Service's percentage.

BUDGET HIGHLIGHTS

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PERFORMANCE INDICATORS:

1) Conversion to Digital Format: This performance metric measures the number of pages (in millions) converted to digital format during the year. Conversions may be accomplished either in-house or by contract and include hardcopy to digital, system output to digital and from one form of digital to another. Actual FY 2004 production of to 72.3 million pages exceeded the goal of 61.2 million pages converted and represented a 7.9 percent increase over FY 2003.

2) Customer Satisfaction: This performance metric measures satisfied customers as the percentage of customers ranking DAPS performance as "satisfied" or "very satisfied." DAPS uses a survey, professionally prepared and administered by an independent entity to determine an overall customer satisfaction rating. DAPS FY 2004 customer satisfaction rating was 88 percent, one percent higher than the last survey. In addition, DAPS does receive customer feedback through an online questionnaire.

3) Rework: In-house rework percentage is used to measure the quality of delivered products. This performance metric is calculated by dividing (1) revenue lost from orders not accepted by (2) the total in-house production revenue. During FY 2004, DAPS achieved a rework percentage of .21 percent to beat the performance goal of .35 percent.

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

	FY04 Goal	FY04 Actual
Unit Cost per In-house Production Unit	.0567	.0559

DAPS achieved its unit cost goal because actual in-house costs were lower than planned, $133.8 million versus $148.1 million, while actual units produced were lower than planned, 2,391.7 million versus 2,611.6 million.

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

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

AOR reflects multi-year results of annual NOR. Its measurement describes the accumulated affects of NOR from the inception of the business unit and demonstrates the fiscal strength over a longer time.

The following chart depicts the actual NOR / AOR for FY 2004 and projected FY 2005 and FY 2006:

($ Millions)	**FY 04**	**FY 05**	**FY 06**
NOR	**18.8**	**11.3**	**0.0**
Prior Year AOR	**(18.2)**	**0.6**	**11.9**
Prior Year Adjustment	**-**	**-**	**-**
AOR	**0.6**	**11.9**	**11.9**

DAPS exceeded its FY 04 NOR goal of $6.9 million due to lower than planned in-house costs.

PERSONNEL: FY 2004 saw a 9.1 percent end strength reduction from FY 2003. This submission projects end strength decreases of 1.5 percent in FY 2005, 4.3 percent in FY 2006 and 2.5 percent n FY 2007. Reductions are due to workload reductions.

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

DAPS made a significant investment in FY 2002 in production equipment to implement the Most Efficient Organization (MEO). As a result of price decreases, the majority of the equipment required to implement the MEO was purchased with operating funds. The combination of the MEO investment and price decreases resulted in a significant decrease in capital requirements.

ACTIVITY GROUP PROFILE

(Dollars and Workload in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Cost of Goods Sold	357.1	411.1	409.9	420.3
Pass through/Other Appropriations				
Net Operating Results	18.8	11.3	0.0	0.0
Accumulated Operating Results	0.6	11.9	11.9	11.9
Workload				
In-House Production (Units)	2391.7	2454.9	2406.0	2364.6
Unit Cost				
In-House Production	0.0559	0.0600	0.0600	0.0618
Customer Rate	0.06590	0.06560	0.06209	0.06394
Customer Rate Change	(2.1%)	3.17%	(1.00%)	2.16%
Document Conversion (pages)	72.3	60.2	63.2	66.4
Customer Satisfaction	88.0%	90.0%	90.0%	90.0%
Rework Requests	0.21%	0.34%	0.30%	0.27%
Civilian End Strength	862	849	812	792
Civilian Full-Time Equivalents	888	861	823	804
Capital Budget Program				
Equipment (Non-ADPE)	0.0	0.0	0.5	0.9
Equipment (ADPE)	0.0	0.0	0.0	0.4
Software Development	0.0	0.0	0.0	0.4
Minor Construction	0.1	0.2	0.3	0.3
TOTAL	0.1	0.2	0.8	2.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Document Automation and Production Service
Fiscal Year (FY) 2006/2007 Budget Submission
Changes in the Cost of Operation
($ in Millions)

	Expenses
FY 04 Actual:	357.1
FY 05 Estimate in President's Budget	413.5
Pricing Adjustments:	
Annualization of FY 04 Pay Raise	0.2
FY 05 Pay Raise	0.0
General Purpose Inflation	(0.5)
Program Changes:	
Civilian Personnel	0.5
Travel	0.6
Material and Supplies	(0.9)
Equipment	(0.5)
Transportation	0.1
Depreciation	0.4
Other Purchases from Revolving Funds	(1.1)
Printing and Reproduction	(9.6)
Rent, Communications, Utilities, and Misc	3.9
Other Purchased Services	4.5
FY 05 Current Estimate	411.1
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.2
FY 06 Pay Raise	1.3
General Purpose Inflation	7.0
Program Changes:	
Civilian Personnel	(2.8)
Travel of Persons	0.1
Rents, Communications, Utilities, and Misc	(0.3)
Printing and Reproduction	(4.3)
Other Purchased Services	(2.3)
Depreciation	(0.1)
FY 06 Current Estimate	409.9

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Document Automation and Production Service
Fiscal Year (FY) 2006/2007 Budget Submission
Changes in the Cost of Operation
($ in Millions)

Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.4
FY 06 Pay Raise	1.3
General Purpose Inflation	7.2
Program Changes:	
Civilian Personnel	(1.0)
Travel of Persons	(0.1)
Rents, Communications, Utilities, and Misc	(0.1)
Other Purchased Services	0.8
Equipment	(0.3)
Printing and Reproduction	2.0
Depreciation	0.2
FY 07 Current Estimate	**420.3**

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Document Automation and Production Service
Fiscal Year (FY) 2006/2007 Budget Submission
Source of New Orders and Revenue
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components	278.5	315.2	303.6	312.2
Department of the Navy	84.5	95.6	92.1	94.7
Operations and Maintenance, Navy	49.8	56.4	54.3	55.8
Operations and Maintenance, Marine Corps	11.4	12.9	12.4	12.8
O&M, Navy Reserve	2.5	2.8	2.7	2.8
O&M, Marine Corps Reserve	0.1	0.1	0.1	0.1
Aircraft Procurement, Navy	1.1	1.2	1.2	1.2
Shipbuilding & Conversion, Navy	0.4	0.5	0.4	0.4
Research, Development, Test & Eval, Navy	0.5	0.6	0.5	0.6
Military Construction, Navy	0.1	0.1	0.1	0.1
Other Navy Appropriations	0.4	0.5	0.4	0.4
Credit Card Purchases, Navy	18.2	20.6	19.8	20.4
Department of the Army	77.8	88.1	84.8	87.2
Army Operation and Maintenance	26.8	30.3	29.2	30.0
O&M, Army Reserve	2.9	3.3	3.2	3.3
Army National Guard	2.1	2.4	2.3	2.4
Army Res, Dev, Test & Eval Accounts	0.8	0.9	0.9	0.9
Army Procurement Accounts	0.2	0.2	0.2	0.2
Army Other	0.6	0.7	0.7	0.7
Credit Card Purchases, Army	44.4	50.3	48.4	49.8
Department of the Air Force	77.5	87.7	84.5	86.9
Air Force Operation & Maintenance	30.5	34.5	33.2	34.2
O&M, Air Force Reserve	1.2	1.4	1.3	1.3
Air Force National Guard	2.1	2.4	2.3	2.4
Air Force Res, Dev, Test & Eval Accounts	1.5	1.7	1.6	1.7
Air Force Procurement Accounts	1.8	2.0	2.0	2.0
Air Force Other	0.1	0.1	0.1	0.1
Credit Card Purchases, Air Force	40.3	45.6	43.9	45.2
DoD Appropriated Accounts	38.7	43.8	42.2	43.4
Operation & Maintenance Accounts	12.9	14.6	14.1	14.5
Res, Dev, Test & Eval Accounts	0.6	0.7	0.7	0.7
Procurement Accounts	0.2	0.2	0.2	0.2
Military Construction, Defense	0.0	0.0	0.0	0.0
Defense Health Program	15.1	17.1	16.5	16.9
DoD Other	0.8	0.9	0.9	0.9
Credit Card Purchases, Defense	9.1	10.3	9.9	10.2
b. Orders from other Fund Activity Groups	65.2	73.8	71.1	73.1
Navy	24.0	27.2	26.2	26.9
Army	2.2	2.5	2.4	2.5
Air Force	13.0	14.7	14.2	14.6
Other DoD	26.0	29.4	28.3	29.1
c. Total DoD	343.7	389.0	374.7	385.3
d. Other Orders	31.7	35.9	34.6	35.5
Other Federal Agencies	28.6	32.4	31.2	32.1
Credit Card Purchases	2.2	2.5	2.4	2.5
Non-Federal Agencies and Other	0.9	1.0	1.0	1.0
Total New Orders	375.4	424.9	409.2	420.9
2. Carry-In Orders	20.7	20.2	22.7	22.0
3. Total Gross Orders	396.1	445.1	431.9	442.9
4. Funded Carry-Over	20.2	22.7	22.0	22.6
5. Total Gross Sales	375.9	422.4	409.9	420.3

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Document Automation and Production Service
Fiscal Year (FY) 2006/2007 Budget Submission
Revenue and Expenses
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue				
Gross Sales	375.9	422.4	409.9	420.3
Operations	0.0	0.0	0.0	0.0
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation excluding Major Construction	0.0	0.0	0.0	0.0
Major Construction Depreciation	0.0	0.0	0.0	0.0
Other Income	0.0	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0	0.0
Total Income:	375.9	422.4	409.9	420.3
Expenses				
Cost of Material Sold from Inventory	0.0	0.0	0.0	0.0
Salaries and Wages:				
Military Personnel Compensation & Benefits	0.0	0.0	0.0	0.0
Civilian Personnel Compensation & Benefits	54.5	55.2	53.9	54.6
Travel & Transportation of Personnel	1.0	2.4	2.5	2.5
Materials & Supplies (For Internal Operations)	21.4	21.1	21.5	21.9
Equipment	0.5	1.7	1.7	1.4
Other Purchases from Revolving Funds	5.6	4.1	4.2	4.3
Transportation of Things	1.2	1.1	1.1	1.1
Depreciation - Capital	5.4	3.6	3.5	3.7
Printing and Reproduction	204.8	246.1	246.7	253.9
Advisory and Assistance Services	0.0	0.0	0.0	0.0
Rent, Communications, Utilities, & Misc. Charges	10.8	13.0	12.9	13.0
Other Purchased Services	51.9	62.9	61.9	63.9
Total Expenses:	357.1	411.1	409.9	420.3
Operating Result	18.8	11.3	0.0	0.0
Net Operating Result	18.8	11.3	0.0	0.0
Prior Year Adjustments				
Prior Year AOR	(18.2)	0.6	11.9	11.9
Accumulated Operating Result	0.6	11.9	11.9	11.9
Non-Recoverable Adjustment Impacting AOR:				
Surcharge Prohibition				
Accumulated Operating Results for Budget Purposes	0.6	11.9	11.9	11.9

Defense Security Service
Fiscal Year (FY) 2006/2007 Biennial Budget Estimates
February 2005

Functional Description

The Defense Security Service (DSS) is under the direction, authority and control of the Under Secretary of Defense (Intelligence). DSS provides security services to the Department of Defense (DoD) through the integration of personnel security, industrial security, security training and education, information systems security and counterintelligence. These security services, combined with intelligence threat data, uniquely positions the DSS to facilitate the application of threat-appropriate security countermeasures.

As originally planned in the FY 2004 President's Budget, all DSS missions, other than the Personnel Security Investigations (PSI) and limited support functions, were to transfer to general fund operations. The PSI mission was to transfer from DSS to the Office of Personnel Management (OPM) at the beginning of FY 2004. OPM would receive and process all new PSI cases. By the end of FY 2004, approximately 1,679 personnel from DSS would have transferred to OPM to support their expanded mission. Prior to the transfer of personnel, OPM would train the DSS employees on the OPM information systems and processes. At the time of transfer, OPM would be responsible for all of their support to include communications, office space, information technology, and transportation.

The transfer did not occur in FY 2004. Rather, the OPM trained the DSS employees on the OPM information systems and processes. OPM utilized DSS investigative employees in FY 2004 to complete cases received in DSS prior to FY 2004. Further, OPM sent cases to DSS for investigation. DSS employees should complete all prior-year cases before they transfer to OPM. In order to meet this target, the DSS took casework back from contractors and assigned it to the in-house workforce for completion. DSS has also proactively developed a program to complete the overseas leads that the Military Departments could not complete in a timely manner.

When OPM scheduled DoD cases to DSS for investigation, OPM and DSS bill the DoD Components on a split rate basis (so the sum of the two bills totaled the approved OPM standard rate). The funds are collected when the cases are opened in the system. Any investigations not completed by February 20, 2005 will transfer back to OPM for completion along with the employees. Accordingly, DSS will return 'unearned' funds to OPM associated with the work in process (WIP). The current estimated value of WIP is $70.2 million.

In addition to the WIP, this budget also reflects cash transfers to OPM to finance the accrued liabilities associated with the employees who transfer to OPM with the function (accrued annual leave of $9.5 million and the accrued Federal Employees Compensation Act (FECA) liabilities of $1.5M. Further, as a condition of the transfer, DoD agreed to

provide $33.8million to OPM to cover start-up and transition costs that OPM will incur as a result of the transfer. $25 million will be provided from funding appropriated for this purpose and the remaining $8.8 million will come from Defense Wide Working Capital Fund cash. These costs are shown as cash outlays but are not reflected in the DSS DWCF business expenses as they are in addition to the business expenses of the organization.

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

DSS is also executing a detailed reconciliation/close-out of the prior year DWCF financial transactions. Complete liquidation of the financial transactions will be necessary prior to the close out of the fund itself. The closeout actions will continue throughout FY 2005. It is anticipated that the fund can be closed in the first quarter FY 2006 subsequent to the generation of FY 2005 year-end accounting reports.

Activity Group Composition

Headquarters:

Alexandria, VA
Linthicum and Fort Meade, MD

PSI Regions:

Northern Region, Managed by Regional Director, located in Chicago, IL
Southern Region, Managed by Regional Director, located in San Antonio, TX
Capital Region, Managed by Regional Director, located in Crystal City, VA
Western Region, Managed by Regional Director, located in Long Beach, CA

Operating Center:

Personnel Investigation Center (PIC), Ft. Meade, MD

The DSS missions included in the DWCF in FY 2004 and FY 2005 are the PSI program and the functions needed to closeout the DWCF after the transfer of personnel. There are no civilian personnel planned for FY 2006 or 2007.

Labor Budget Highlights	FY 2004	FY 2005	FY 2006/7
Civilian End Strength	1,679	0	0
Civilian Full-Time Equivalents	1,811	691	0

	(Dollars in Millions)		
Key Financial Data	FY 2004	FY 2005	FY 2006/7
Revenue	$221.6	$103.2	-
Cost of Goods Sold	214.6	154.0	-
Appropriated Funds	-	25.0	-
Net Operating Results	+7.0	-50.7	-
Accumulated Operating Results	-64.1	-114.8	-

DEFENSE SECURITY SERVICE
Fiscal Year (FY) 2006/2007 Biennial Budget Estimates
February 2005
Exhibit Fund 2 Changes in Costs of Operation

($ in Millions)

			Expenses
FY 2004	**Actual**		214.602
FY 2005	**Current Estimate:**		153.951
Pricing Adjustments:			0.000
	Annualization of Prior Year Pay Raises	0.000	
	Fund Price Changes	0.000	
	General Purchase Inflation	0.000	
Efficiencies:			0.000
Program Changes:			(153.951)
	DSS scheduled to Transfer PSI Mission to OPM mid year 2005. Then close the working capital fund.	(153.951)	
Other Changes:			0.000
FY 2006	**Estimate:**		0.000
Pricing Adjustments:			0.000
	Annualization of Prior Year Pay Raises	0.000	
	Fund Price Changes	0.000	
	General Purchase Inflation	0.000	
Efficiencies:			0.000
Program Changes:			0.000
		0.000	
FY 2007	**Estimate:**		0.000

DEFENSE SECURITY SERVICE
Fiscal Year (FY) 2006 / 2007 Biennial Budget Estimates
February 2005
Exhibit Fund 11 Source of New Orders and Revenue
(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components:				
Department of the Army	6.178	17.177		
Department of the Navy	8.217	23.402		
Department of the Air Force	7.764	21.387		
Subtotal Military Department O&M:	22.159	61.966		
Defense-Wide Operations and Maintenance				
DARPA				
DCAA				
DCMA				
DIA				
DMDC				
DOHA				
DSS	50.085			
DSS-DSSA				
DSS-ISP				
DSS-PSI	22.654	58.656		
DTRA				
JCS				
MEPCOM				
NIMA				
NSA				
TRICARE				
USSOCOM				
USUHS				
WHS				
Subtotal Defense-Wide O&M:	72.739	58.656		
Other Operations and Maintenance				
OIG	0.000			
b. Orders from other Fund Activity Groups				
DECA				
DFAS				
DISA				
DLA				
Other				
Subtotal, DWCF	0.000	0.000		
c. Total DoD	94.898	120.622		
d. Other Orders:				
Department of Homeland Security/Coast Guard	0.273			
General Accounting Office				
General Service Administration				
White House				
Other				
Subtotal Non-DoD Agencies and Others:	0.273	0.000		
Total New Orders:	95.171	120.622		
2. Carry-in Orders	179.220	52.834		
3. Total Gross Orders	274.391	173.456		
4. Revenue (-)	221.557	103.242		
5. Funded Carryover*	52.834	70.214		
6. Months of Carryover	0.000	0.000		

*FY 2005 balance transferred to OPM with funding as Work-In-Progress

DEFENSE SECURITY SERVICE
Fiscal Year 2006/2007 Biennial Budget Estimate
February 2005
Exhibit Fund 14 Revenue and Expenses

(Dollars in Millions)

			FY 2004	FY 2005	FY 2006	FY 2007
Revenue						
	Gross Sales:		221.557	103.242	0.000	0.000
		Operations	221.557	103.242	0.000	0.000
		Surcharges	0.000	0.000	0.000	0.000
		Depreciation	0.000	0.000	0.000	0.000
		Major Construction Depreciation				
	Other Income					
	Refunds/Discounts (-)					
	Total Income:		221.557	103.242	0.000	0.000
Expenses						
	Salaries and Wages:		151.443	58.042	0.000	0.000
		Military Personnel Compensation & Benefits	0.000	0.000	0.000	0.000
		Civilian Personnel Compensation & Benefits	151.443	58.042	0.000	0.000
	Travel & Transportation of Personnel		6.492	3.025	0.000	0.000
	Materials & Supplies (For Internal Operations)		1.146	0.549	0.000	0.000
	Equipment		8.994	0.000	0.000	0.000
	Other Purchases from Revolving Funds		0.570	0.550	0.000	0.000
	Transportation of Things		0.399	0.202	0.000	0.000
	Depreciation - Capital		10.232	10.393	0.000	0.000
	Printing and Reproduction		0.001	0.000	0.000	0.000
	Advisory and Assistance Services		0.325	0.165	0.000	0.000
	Rent, Communication, Utilities, & Misc. Charges		7.314	3.447	0.000	0.000
	Other Purchased Services*		27.686	77.578	0.000	0.000
Total Expenses:	Cost of Goods Sold		214.602	153.951	0.000	0.000
Operating Result			6.955	(50.709)	0.000	0.000
Less Capital Surcharge Reservation			0.000	0.000	0.000	0.000
Plus Passthroughs or Other Appropriations Affecting NOR				0.000		
Other Adjustments Affecting NOR:			0.000	0.000	0.000	0.000
	Other Inventory Adjustments		0.000	0.000	0.000	0.000
	Net Change in WIP		0.000	0.000	0.000	0.000
Net Operating Result			6.955	(50.709)	0.000	0.000
	Prior Year Accumulated Balance		(71.033)	(64.078)	(114.787)	(114.787)
Accumulated Operating Result			(64.078)	(114.787)	(114.787)	(114.787)
Non-recoverable Adjustment Impacting AOR (specify)						
Accumulated Operating Results for Budget Purposes			(64.078)	(114.787)	(114.787)	(114.787)

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Fiscal Year (FY) 2006/FY2007 Budget Estimates
February 2005
FUEL DATA

FY 2006 Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			Date:
Petroleum Products	**Barrels (Millions)**	**Price Per Barrel ($)**	**Extended Price ($Mil)**	**Barrels (Millions)**	**Cost Per Barrel ($)**	**Extended Price ($Mil)**	**Stabilized Price**
BULK and PC&S:							
JP4, JAB	2.1	$63.42	$133.2				
JTS	0.1	$163.80	$16.4				
JP50, JA1, and JAA	3.8	$61.74	$234.6				
DISTILLATES (F76, DFW)	12.6	$61.32	$772.6				
DIESEL	5.2	$60.48	$314.5				
JP5	13.1	$62.58	$819.8				
JP8 *	59.2	$61.74	$3,655.0				
MOGAS (Leaded)	0.6	$74.34	$44.6				
MOGAS (Unleaded)	1.0	$63.00	$63.0				
RESIDUALS	1.4	$46.62	$65.3				
TOTAL BULK and PC&S	**99.1**	**$61.75**	**$6,119.0**				
INTOPLANE:							
Jet Fuel Commercial Grade	4.3	$70.14	$301.6				
BUNKERS:							
DISTILLATES (F76, DFW)	0.4	$61.32	$24.5				
DIESEL (Marine)	3.8	$47.04	$178.8				
RESIDUALS (Intermediate)	2.6	$39.06	$101.6				
TOTAL BUNKERS	**6.8**	**$44.84**	**$304.9**				
LOCAL PURCHASE and CASH							
AVCARD	0.6	$114.24	$68.5				
VOYAGER	0.4	$97.02	$38.8				
CASH	0.1	$105.60	$10.6				
FOREIGN GOVERNMENT	0.7	$105.60	$73.9				
	1.8	**$106.56**	**$191.8**				
Rounding factor			($2.4)				
TOTAL	**112.0**	**$61.74**	**6,914.9**				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
February 2005
FUEL DATA

FY 2005 Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			Date:
Petroleum Products	**Barrels (Millions)**	**Price Per Barrel ($)**	**Extended Price ($Mil)**	**Barrels (Millions)**	**Cost Per Barrel ($)**	**Extended Price ($Mil)**	**Stabilized Price**
BULK and PC&S:							
JP4, JAB	2.3	$57.96	$133.3				
JTS	0.1	$163.80	$16.4				
JP50, JA1, and JAA	4.1	$56.28	$230.7				
DISTILLATES (F76, DFW)	13.7	$55.86	$765.3				
DIESEL	5.6	$55.02	$308.1				
JP5	14.2	$57.12	$811.1				
JP8 *	64.6	$56.28	$3,635.7				
MOGAS (Leaded)	0.6	$67.62	$40.6				
MOGAS (Unleaded)	1.1	$57.54	$63.3				
RESIDUALS	1.5	$42.42	$63.6				
TOTAL BULK and PC&S	**107.8**	**$56.29**	**$6,068.1**				
INTOPLANE:							
Jet Fuel Commercial Grade	4.7	$63.84	$300.0				
BUNKERS:							
DISTILLATES (F76, DFW)	0.4	$55.86	$22.3				
DIESEL (Marine)	4.1	$42.84	$175.6				
RESIDUALS (Intermediate)	2.8	$35.70	$100.0				
TOTAL BUNKERS	**7.3**	**$40.81**	**$297.9**				
LOCAL PURCHASE and CASH							
AVCARD	0.6	$104.16	$62.5				
VOYAGER	0.4	$88.62	$35.4				
CASH	0.1	$96.39	$9.6				
FOREIGN GOVERNMENT	0.8	$96.39	$77.1				
	1.9	**$97.16**	**$184.6**				
Rounding factor			($1.0)				
TOTAL	**121.7**	**$56.28**	**6,849.6**				

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Supply Activity Group
Fiscal Year (FY) 2006/FY2007 Budget Estimates
February 2005
FUEL DATA

FY 2007 Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			Date:
Petroleum Products	**Barrels (Millions)**	**Price Per Barrel ($)**	**Extended Price ($Mil)**	**Barrels (Millions)**	**Cost Per Barrel ($)**	**Extended Price ($Mil)**	**Stabilized Price**
BULK and PC&S:							
JP4, JAB	2.1	$60.48	$127.0				
JTS	0.1	$163.80	$16.4				
JP50, JA1, and JAA	3.8	$58.80	$223.4				
DISTILLATES (F76, DFW)	12.6	$58.38	$735.6				
DIESEL	5.2	$57.54	$299.2				
JP5	13.1	$59.64	$781.3				
JP8 *	59.2	$58.80	$3,481.0				
MOGAS (Leaded)	0.6	$70.56	$42.3				
MOGAS (Unleaded)	1.0	$60.06	$60.1				
RESIDUALS	1.4	$44.52	$62.3				
TOTAL BULK and PC&S	**99.1**	**$58.82**	**$5,828.6**				
INTOPLANE:							
Jet Fuel Commercial Grade	4.3	$66.78	$287.2				
BUNKERS:							
DISTILLATES (F76, DFW)	0.4	$58.38	$23.4				
DIESEL (Marine)	3.8	$44.94	$170.8				
RESIDUALS (Intermediate)	2.6	$37.38	$97.2				
TOTAL BUNKERS	**6.8**	**$42.85**	**$291.4**				
LOCAL PURCHASE and CASH							
AVCARD	0.6	$108.78	$65.3				
VOYAGER	0.4	$92.40	$37.0				
CASH	0.1	$100.59	$10.1				
FOREIGN GOVERNMENT	0.7	$100.59	$70.4				
	1.8	**$101.56**	**$182.8**				
Rounding factor			($4.3)				
TOTAL	**112.0**	**$58.80**	**6,585.7**				

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

FY 04 Budget Fuel Data (Actuals)		PROCURED FROM DESC			PROCURED BY SERVICE			
Aerospace Missile Fuels	**PC**	**Qty (Thousands)**	**Price Per Qty ($)**	**Extended Price ($000)**	**Qty (Thousands)**	**Price Per Qty ($)**	**Extended Price ($000)**	**Stabilized Price**
Liquid Air	39	8.124	$0.43	$3.493				
Deuterium, Gaseous	33	590.434	$0.10	$59.043				
Isopropyl Alcohol	31	86.180	$0.58	$49.984				
JP-10	28	101.385	$14.00	$1,419.389				
Priming Fluid ALCM (PF-1)	23	0.108	$16.00	$1.728				
Nitric Acid	16	0.015	$26.25	$0.390				
TOTAL MISCELLANEOUS		**786.246**	**$1.95**	**$1,534.028**				
Argon, Gaseous-Conus	21	0.944	$127.00	$119.888				
Argon, Gaseous-OConus	61	0.328	$185.00	$60.680				
Argon, Gaseous Bulk	80	0.000	$31.82	$0.000				
Argon, Liquid	32	772.483	$0.29	$224.020				
TOTAL ARGON		**773.755**	**$0.52**	**$404.588**				
Dinitrogen Tetroxide	9	626.537	$18.50	$11,590.934				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.200	$206.00	$41.200				
TOTAL DINITROGEN TETROXIDE		**626.737**	**$18.56**	**$11,632.134**				
Helium, Bulk	2	31.798	$124.66	$3,963.907				
Helium, Cylinder	1	627.046	$0.35	$219.466				
Helium, Extra Hi-Purity	43	0.000	$0.00	$0.000				
Helium, Liquid Bulk	36	4.212	$3.15	$13.268				
Helium, Liquid-Dewars	24	79.918	$4.18	$334.392				
Helium, Ultra Hi-Purity	49	32.433	$0.74	$24.111				
TOTAL HELIUM		**775.407**	**$5.87**	**$4,555.144**				
Hydrazine, UDMH	7	1.608	$61.00	$98.088				
Hydrazine	8	338.807	$61.00	$20,667.218				
Hydrazine, Hi-Purity	35	11.945	$75.00	$895.905				
Hydrazine, MMH	15	51.530	$61.00	$3,143.342				
Hydrazine, MPH	34	9.608	$61.00	$586.061				
Hydrazine, Water	37	7.749	$15.00	$116.236				
TOTAL HYDRAZINE		**421.247**	**$60.55**	**$25,506.850**				
Hydrogen Peroxide	17	200.467	$1.05	$210.490				
Hydrogen, Gaseous	27	0.219	$122.97	$26.930				
Hydrogen, Liquid	12	901.290	$2.50	$2,253.225				
TOTAL HYDROGEN		**1,101.976**	**$2.26**	**$2,490.645**				
Kerosene, RP-1, Bulk	10	191.496	$3.00	$574.488				
Kerosene, RP-1, Drum	65	0.216	$4.75	$1.026				
Kerosene, RP-1, TS5	75	0.212	$14.80	$3.137				
Kerosene, RP-1, Ultra Low Grade	76	1.061	$14.80	$15.702				
Kerosene, RP-1, TS30 Drum	77	0.000	$14.80	$0.000				
TOTAL KEROSENE		**192.985**	**$3.08**	**$594.353**				
Nitrogen Trifluoride	11	4.645	$132.00	$613.087				
Nitrogen, Gaseous	5	226.584	$3.20	$725.070				
Nitrogen, Gaseous (KSC Only)	55	693.063	$4.65	$3,222.745				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	272.029	$5.00	$1,360.146				
Nitrogen, Liquid	4	105.187	$94.00	$9,887.537				
Nitrogen, Liquid (Pipeline)	46	10.115	$54.20	$548.225				
Nitrogen, Liquid (NASA AMES)	64	0.003	$380.00	$1.322				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.470	$585.00	$275.055				
TOTAL NITROGEN		**0.470**	**$35,376.25**	**$16,633.187**				
Oxygen, Liquid	3	6.576	$81.00	$532.628				
Oxygen, Liquid (KSC Only)	63	5.123	$108.00	$553.288				
Oxygen, Liquid (Vandenberg AFB Only)	53	1.582	$125.00	$197.763				
TOTAL LIQUID OXYGEN		**13.281**	**$96.66**	**$1,283.679**				
Xenon, Gaseous	19	0.963	$1.50	$1.444				
Xenon, Extra High-Purity	66	78.000	$6.00	$468.000				
TOTAL LIQUID XENON		**78.963**	**$0.00**	**$469.444**				
Rounding factor				$0.000				
TOTAL		**4,771.066**	**$13.65**	**65,104.052**				**$13.65**

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

FY 05 Budget Fuel Data		PROCURED FROM DESC			PROCURED BY SERVICE			
Aerospace Missile Fuels	**PC**	**Qty (Thousands)**	**Price Per Qty ($)**	**Extended Price ($000)**	**Qty (Thousands)**	**Price Per Qty ($)**	**Extended Price ($000)**	**Stabilized Price**
Liquid Air	39	5.500	$1.30	$7.150				
Deuterium, Gaseous	33	1,264.400	$0.42	$531.048				
Isopropyl Alcohol	31	376.876	$0.54	$203.513				
JP-10	28	136.642	$15.50	$2,117.951				
Priming Fluid ALCM (PF-1)	23	6.378	$16.00	$102.048				
Nitric Acid	16	0.750	26.25	$19.688				
TOTAL MISCELLANEOUS		**1,790.546**	**$1.67**	**$2,981.398**				
Argon, Gaseous-Conus	21	0.985	$125.00	$123.125				
Argon, Gaseous-OConus	61	0.236	$179.00	$42.244				
Argon, Gaseous Bulk	80	2.737	$32.76	$89.664				
Argon, Liquid	32	1,435.000	$0.33	$473.550				
TOTAL ARGON		**1,438.958**	**$0.51**	**$728.583**				
Dinitrogen Tetroxide	9	712.720	$14.29	$10,184.769				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.165	$206.00	$33.990				
TOTAL DINITROGEN TETROXIDE		**712.885**	**$14.33**	**$10,218.759**				
Helium, Bulk	2	36.521	$132.00	$4,820.759				
Helium, Cylinder	1	328.234	$0.35	$114.882				
Helium, Extra Hi-Purity	43	0.000	$0.00	$0.000				
Helium, Liquid Bulk	36	0.000	$0.00	$0.000				
Helium, Liquid-Dewars	24	85.179	$4.60	$391.823				
Helium, Ultra Hi-Purity	49	38.340	$0.75	$28.755				
TOTAL HELIUM		**488.274**	**$10.97**	**$5,356.219**				
Hydrazine, UDMH	7	5.760	$78.01	$449.338				
Hydrazine	8	77.800	$78.01	$6,069.178				
Hydrazine, Hi-Purity	35	36.145	$182.00	$6,578.390				
Hydrazine, MMH	15	155.343	$78.01	$12,118.307				
Hydrazine, MPH	34	32.650	$78.01	$2,547.027				
Hydrazine, Water	37	13.330	$78.01	$1,039.873				
TOTAL HYDRAZINE		**321.028**	**$89.72**	**$28,802.113**				
Hydrogen Peroxide	17	387.000	$0.65	$251.550				
Hydrogen, Gaseous	27	0.315	$30.00	$9.450				
Hydrogen, Liquid	12	704.938	$3.10	$2,185.308				
TOTAL HYDROGEN		**1,092.253**	**$2.24**	**$2,446.308**				
Kerosene, RP-1, Bulk	10	406.412	$1.90	$772.183				
Kerosene, RP-1, Drum	65	0.106	$3.25	$0.345				
Kerosene, RP-1, TS5	75	0.159	$14.80	$2.353				
Kerosene, RP-1, Ultra Low Grade	76	0.106	$14.80	$1.569				
Kerosene, RP-1, TS30 Drum	77	0.053	$14.80	$0.784				
TOTAL KEROSENE		**406.836**	**$1.91**	**$777.234**				
Nitrogen Trifluoride	11	8.660	$85.00	$736.100				
Nitrogen, Gaseous	5	168.751	$3.50	$590.629				
Nitrogen, Gaseous (KSC Only)	55	780.000	$4.65	$3,627.000				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	302.996	$5.30	$1,605.879				
Nitrogen, Liquid	4	97.752	$92.00	$8,993.184				
Nitrogen, Liquid (Pipeline)	46	0.000	$0.00	$0.000				
Nitrogen, Liquid (NASA AMES)	64	0.000	$0.00	$0.000				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.400	$639.00	$255.600				
TOTAL NITROGEN		**1,358.559**	**$11.64**	**$15,808.392**				
Oxygen, Liquid	3	3.953	$77.00	$304.381				
Oxygen, Liquid (KSC Only)	63	4.220	$99.00	$417.780				
Oxygen, Liquid (Vandenberg AFB Only)	53	1.949	$125.00	$243.625				
TOTAL LIQUID OXYGEN		**10.122**	**$95.41**	**$965.786**				
Xenon, Gaseous	19	0.000	$0.00	$0.000				
Xenon, Extra High-Purity	66	62.400	$3.00	$187.200				
TOTAL LIQUID XENON		**62.400**	**$0.00**	**$187.200**				
Rounding factor				$0.003				
TOTAL		**7,681.861**	**$8.89**	**68,271.995**				**$8.89**

Defense-Wide Working Capital Fund
Supply Management Activity Group - Energy
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Fuel Data
February 2005
($ in millions)

FY 06 Budget Fuel Data		PROCURED FROM DESC			PROCURED BY SERVICE			
Aerospace Missile Fuels	**PC**	**Qty (Thousands)**	**Price Per Qty ($)**	**Extended Price ($000)**	**Qty (Thousands)**	**Price Per Qty ($)**	**Extended Price ($000)**	**Stabilized Price**
Liquid Air	39	5.500	$1.29	$7.095				
Deuterium, Gaseous	33	2,384.400	$0.33	$786.852				
Isopropyl Alcohol	31	320.000	$0.45	$144.000				
JP-10	28	136.642	$13.09	$1,788.644				
Priming Fluid ALCM (PF-1)	23	6.378	$13.84	$88.272				
Nitric Acid	16	0.750	$8.94	$6.705				
TOTAL MISCELLANEOUS		**2,853.7**	**$0.99**	**$2,821.567**				
Argon, Gaseous-Conus	21	0.985	$125.00	$123.125				
Argon, Gaseous-OConus	61	0.236	$180.00	$42.480				
Argon, Gaseous Bulk	80	2.784	$35.10	$97.718				
Argon, Liquid	32	1,390.000	$0.20	$278.000				
TOTAL ARGON		**1,394.005**	**$0.39**	**$541.323**				
Dinitrogen Tetroxide	9	309.100	$8.95	$2,766.445				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.165	$125.00	$20.625				
TOTAL DINITROGEN TETROXIDE		**309.265**	**$9.01**	**$2,787.070**				
Helium, Bulk	2	36.965	$134.96	$4,988.823				
Helium, Cylinder	1	317.584	$0.45	$142.913				
Helium, Extra Hi-Purity	43	0.000	$0.00	$0.000				
Helium, Liquid Bulk	36	0.000	$0.00	$0.000				
Helium, Liquid-Dewars	24	85.179	$4.60	$391.823				
Helium, Ultra Hi-Purity	49	38.340	$0.45	$17.253				
TOTAL HELIUM		**478.069**	**$11.59**	**$5,540.812**				
Hydrazine, UDMH	7	5.760	$78.01	$449.338				
Hydrazine	8	76.720	$78.01	$5,984.927				
Hydrazine, Hi-Purity	35	27.440	$189.00	$5,186.160				
Hydrazine, MMH	15	137.012	$78.01	$10,688.306				
Hydrazine, MPH	34	31.730	$78.01	$2,475.257				
Hydrazine, Water	37	13.630	$78.01	$1,063.276				
TOTAL HYDRAZINE		**292.292**	**$88.43**	**$25,847.265**				
Hydrogen Peroxide	17	387.000	$0.50	$193.500				
Hydrogen, Gaseous	27	0.159	$30.00	$4.770				
Hydrogen, Liquid	12	773.028	$3.15	$2,435.038				
TOTAL HYDROGEN		**1,160.187**	**$2.27**	**$2,633.308**				
Kerosene, RP-1, Bulk	10	389.690	$1.90	$740.411				
Kerosene, RP-1, Drum	65	0.106	$4.80	$0.509				
Kerosene, RP-1, TS5	75	0.159	$20.15	$3.204				
Kerosene, RP-1, Ultra Low Grade	76	0.106	$23.00	$2.438				
Kerosene, RP-1, TS30 Drum	77	0.053	$8.00	$0.424				
TOTAL KEROSENE		**389.796**	**$1.92**	**$746.985**				
Nitrogen Trifluoride	11	8.380	$63.81	$534.728				
Nitrogen, Gaseous	5	166.780	$4.00	$667.120				
Nitrogen, Gaseous (KSC Only)	55	780.000	$5.11	$3,985.800				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	251.000	$4.10	$1,029.100				
Nitrogen, Liquid	4	96.738	$94.75	$9,165.926				
Nitrogen, Liquid (Pipeline)	46	0.000	$0.00	$0.000				
Nitrogen, Liquid (NASA AMES)	64	0.000	$0.00	$0.000				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.400	$375.08	$150.032				
TOTAL NITROGEN		**1,303.298**	**$11.92**	**$15,532.705**				
Oxygen, Liquid	3	3.768	$79.00	$297.672				
Oxygen, Liquid (KSC Only)	63	4.220	$66.00	$278.520				
Oxygen, Liquid (Vandenberg AFB Only)	53	2.487	$125.00	$310.875				
TOTAL LIQUID OXYGEN		**10.475**	**$84.68**	**$887.067**				
Xenon, Gaseous	19	0.000	$0.00	$0.000				
Xenon, Extra High-Purity	66	62.400	$1.10	$68.640				
TOTAL LIQUID XENON		**62.400**	**$0.00**	**$68.640**				
Rounding factor				$0.002				
TOTAL		**8,253.456**	**$6.96**	**57,406.745**				**$6.96**

Defense-Wide Working Capital Fund
Supply Management Activity Group - Energy
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Fuel Data
February 2005
($ in millions)

FY 07 Budget Fuel Data		PROCURED FROM DESC			PROCURED BY SERVICE			
Aerospace Missile Fuels	**PC**	**Qty (Thousands)**	**Price Per Qty ($)**	**Extended Price ($000)**	**Qty (Thousands)**	**Price Per Qty ($)**	**Extended Price ($000)**	**Stabilized Price**
Liquid Air	39	5.500	$1.30	$7.150				
Deuterium, Gaseous	33	1,264.400	$0.30	$379.320				
Isopropyl Alcohol	31	320.000	$0.47	$150.400				
JP-10	28	136.642	$14.50	$1,981.309				
Priming Fluid ALCM (PF-1)	23	6.378	$17.82	$113.656				
Nitric Acid	16	0.750	10.00	$7.500				
TOTAL MISCELLANEOUS		**1,733.670**	**$1.52**	**$2,639.335**				
Argon, Gaseous-Conus	21	0.985	$130.00	$128.050				
Argon, Gaseous-OConus	61	0.236	$210.00	$49.560				
Argon, Gaseous Bulk	80	2.844	$36.60	$104.090				
Argon, Liquid	32	1,280.000	$0.21	$268.800				
TOTAL ARGON		**1,284.065**	**$0.43**	**$550.500**				
Dinitrogen Tetroxide	9	286.000	$16.69	$4,773.340				
Dinitrogen Tetroxide, MON-25 Low Iron	79	0.165	$125.00	$20.625				
TOTAL DINITROGEN TETROXIDE		**286.165**	**$16.75**	**$4,793.965**				
Helium, Bulk	2	34.075	$138.52	$4,720.097				
Helium, Cylinder	1	328.234	$0.61	$200.223				
Helium, Extra Hi-Purity	43	0.000	$0.00	$0.000				
Helium, Liquid Bulk	36	0.000	$0.00	$0.000				
Helium, Liquid-Dewars	24	85.179	$4.73	$402.897				
Helium, Ultra Hi-Purity	49	38.340	$0.73	$27.988				
TOTAL HELIUM		**485.828**	**$11.01**	**$5,351.205**				
Hydrazine, UDMH	7	5.760	$78.00	$449.280				
Hydrazine	8	57.651	$78.00	$4,496.778				
Hydrazine, Hi-Purity	35	28.190	$78.00	$2,198.820				
Hydrazine, MMH	15	111.276	$78.00	$8,679.528				
Hydrazine, MPH	34	35.930	$78.00	$2,802.540				
Hydrazine, Water	37	12.040	$78.00	$939.120				
TOTAL HYDRAZINE		**250.847**	**$78.00**	**$19,566.066**				
Hydrogen Peroxide	17	387.000	$0.50	$193.500				
Hydrogen, Gaseous	27	0.195	$27.32	$5.327				
Hydrogen, Liquid	12	772.432	$3.15	$2,433.161				
TOTAL HYDROGEN		**1,159.627**	**$2.27**	**$2,631.989**				
Kerosene, RP-1, Bulk	10	443.089	$2.32	$1,027.966				
Kerosene, RP-1, Drum	65	0.106	$5.47	$0.580				
Kerosene, RP-1, TS5	75	0.159	$30.00	$4.770				
Kerosene, RP-1, Ultra Low Grade	76	0.106	$30.00	$3.180				
Kerosene, RP-1, TS30 Drum	77	0.053	$10.64	$0.564				
TOTAL KEROSENE		**443.195**	**$2.34**	**$1,037.060**				
Nitrogen Trifluoride	11	6.970	$69.63	$485.321				
Nitrogen, Gaseous	5	158.025	$4.73	$747.458				
Nitrogen, Gaseous (KSC Only)	55	780.000	$5.25	$4,095.000				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	251.000	$5.37	$1,347.870				
Nitrogen, Liquid	4	96.403	$95.50	$9,206.487				
Nitrogen, Liquid (Pipeline)	46	0.000	$0.00	$0.000				
Nitrogen, Liquid (NASA AMES)	64	0.000	$0.00	$0.000				
Nitrogen, Liquid (Alaska/Hawaii)	54	0.400	$624.94	$249.976				
TOTAL NITROGEN		**1,292.798**	**$12.48**	**$16,132.111**				
Oxygen, Liquid	3	3.128	$85.15	$266.349				
Oxygen, Liquid (KSC Only)	63	4.220	$71.00	$299.620				
Oxygen, Liquid (Vandenberg AFB Only)	53	2.487	$113.00	$281.031				
TOTAL LIQUID OXYGEN		**9.835**	**$86.12**	**$847.000**				
Xenon, Gaseous	19	0.000	$0.00	$0.000				
Xenon, Extra High-Purity	66	62.400	$1.57	$97.968				
TOTAL LIQUID XENON		**62.400**	**$0.00**	**$97.968**				
Rounding factor				$0.007				
TOTAL		**7,008.430**	**$7.65**	**$53,647.206**				**$7.65**