

Fiscal Year (FY) 2007 Budget Estimates

Defense Logistics Agency (DLA)



February 2006

DEFENSE LOGISTICS AGENCY
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2007 Budget Estimates

Operation and Maintenance, Defense-Wide Summary (\$ in thousands)

<u>Budget Activities</u> <u>(BA)</u>	<u>FY 2005</u> <u>Actuals</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2006</u> <u>Estimate</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2007</u> <u>Estimate</u>
Defense Logistics Agency	378,384	9,129	-53,910	333,603	5,435	-41,536	297,502

* The FY 2005 Actual column includes \$12.0 million of FY 2005 Supplemental funds (PL 109-13), \$5.3 million of FY 2005 Hurricane Supplemental funds (PL 108-324, PL 109-61, and \$45.0 million of FY 2004/FY 2005 Title IX obligations (PL 108-287).

* The FY 2006 Estimate column excludes \$20.0 million of FY 2006 Title IX obligations (PL 109-148).

I. Description of Operations Financed:

Budget Activity (BA) 2 Mobilization Warstoppers: The DLA operation and maintenance (O&M) appropriation finances Warstoppers because preparedness measures must be taken for certain supply items, and critical industrial capability must be preserved to support the Department's readiness and sustainment requirements.

Budget Activity (BA) 4 Administration and Service-Wide Activities: The DLA O&M appropriation finances contracts, supplies, equipment maintenance, communications, salaries, awards, personnel, benefits, travel, per diem, and training for two activities:

- Other Logistics Services (OLS) are associated with DLA's logistics mission such as price comparability, hardcopy maps, unemployment, morale, welfare & recreation, and homeless blankets; and
- Other Logistics Programs (OLP) are program offices for which DLA is either the executive agent or the budget administrator.

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I. Description of Operations Financed: (Continued)

Narrative Explanation of Changes: The FY 2007 program decreases are primarily attributable to Congressional adds in FY 2006 (Commercial Technologies for Maintenance Activities \$-10,424K, Logistics Integration Center \$-1,022K, Supply Chain Management \$-13,031K, PartNet/NET Inventory and Subassembly \$-1,840K, Procurement Technical Assistance Program \$-7,406, and Defense Microelectronics Activity \$-1,750). Also in FY 2007, the Logistics Enterprise Support Program transfers from DLA to the Defense Business Transformation Agency (DBTA) (\$-6,023).

Other Logistics Services (OLS) (FY 2007: \$221.651 million; no full-time equivalents) includes multiple programs associated with the DLA logistics mission as well as Departmental and Congressionally added programs. DLA is either the executive agent responsible for program oversight and policy guidance or the budget administrator responsible for administrative support for these programs, described in the paragraphs that follow:

1. Unemployment Compensation
2. Price Comparability
3. Morale, Welfare and Recreation (MWR)
4. Continuing Health
5. Counter-Drug Activities
6. Contingency Operations
7. Disability Compensation
8. Procurement Technical Assistance Program (PTAP)
9. Inventory Management, Catalog Production & Distribution of Hardcopy Maps
10. Logistics Transformation
11. Homeless Blankets
12. Defense Finance and Accounting Service (DFAS)
13. Counter-terrorism/Force Protection

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I. Description of Operations Financed: (Continued)

14. Joint Electronics Commerce Program (JECPO)
 15. Joint Total Asset Visibility (JTAV)
 16. Government Industry Data Exchange Program (GIDEP)
 17. Federal Employee Compensation Act (FECA) Surcharge
 18. Small Business Administration Support
 19. Base Support
 20. OPM Investigations
 21. Radio Frequency Identification (RFID)
 22. Mobilization Warstoppers
 23. Department of Justice Litigation Support
 24. Alaska Logistics Center
 25. Title IX (Public Law 108-287)
 26. FY 2005 Supplemental
 27. FY 2005 Hurricane Supplemental Funds
 28. Commercial Technologies for Maintenance Activities
 29. PartNet/NET Inventory and Subassembly
 30. Center for Supply Chain Management
 31. Logistics Integration Center (LOGIC)
 32. Managerial Support
 33. Defense Environmental Restoration Account
-
1. Unemployment Compensation: (FY 2007: \$11.9 million) DLA pays the Unemployment Compensation for all Defense Agencies.
 2. Price Comparability (FY 2007: \$77.8 million) supports military unique (DoD-mandated) tasks, such as readiness support, that a commercial distribution company would not experience. When DLA's prices do not include these costs, customers can compare DLA prices with private-sector prices while minimizing risks to readiness. For example,

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a commercial operation would either dispose of inventory demanded only in wartime (War Reserve Materiel) or charge the customer for the costs of retaining this inventory. By funding the cost of retaining this inventory outside customer prices, DLA can reduce the materiel surcharge (Cost Recovery Rate) to achieve more comparable pricing. The Price Comparability baseline also includes peacetime contingency planning and Command and Control Center costs, and the Department's hazardous and ozone depleting substances programs.

3. Morale, Welfare and Recreation (MWR): (FY 2007: \$13.1 million) MWR programs and services provide support that is vital to the readiness of the DoD civilian and military community. Funding is based on cost estimates for operating DLA MWR activities.
4. Continuing Health (FY 2007: \$.5 million) provides coverage for DLA employees affected by reductions-in-force and BRAC.
5. Counter-Drug Activities funding is for approved counter narcotics projects, mandated drug testing, and drug abuse education. This program funding is budgeted at the Department level with DLA reimbursement in the year of execution.
6. Contingency Operations (FY 2007: \$1.5 million) funding covers Agency costs incurred in support of Bosnia and Kosovo contingency operations.
7. Disability Compensation (FY 2007: \$.8 million) funding is required to cover disability compensation for the Clothing Factory (DSCP) closed by BRAC 1993. Funding is required for DSCP BRAC employees that currently receive disability compensation through DLA.

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8. Procurement Technical Assistance Program (PTAP) (FY 2007: \$19.8 million) 10 USC 2412 Chapter 142 authorizes the Secretary of Defense, acting through the Director, DLA, to enter into cost sharing cooperative agreements with state and local governments, nonprofit organizations, Indian tribal organization and Indian economic enterprises to establish and conduct procurement technical assistance programs. Activities include helping business firms market their goods and/or services to DoD, other Federal agencies and state and local governments. Under the PTAP statute, the amount of matching funds DLA can provide to a recipient is limited to \$.3 million per fiscal year for eligible entities providing assistance on a regional (less than statewide) basis or \$.6 million per fiscal year for eligible entities providing assistance on a statewide basis.
9. Inventory Management, Catalog Production & Distribution of Hard Copy Maps (FY 2007: \$26.6 million) DLA serves as the DoD Integrated Materiel Manager and Distributor of approximately 70,000 map items that transferred from the National Imagery and Mapping Agency in 1996.
10. Logistics Transformation (FY 2007: \$8.0 million) DLA is studying specific initiatives that offer the potential for DoD to transform the current "mass model" logistics structure into world-class integrated supply chains focused on warfighter needs. Initiatives complement ongoing reengineering efforts with the Services, consistent with the Logistics Functional Requirements and Joint Vision 2010. Specifically, funds will:
 - Provide analysis of operational logistics and Focused Logistics capabilities to support continuous review and development of the DoD Logistics Transformation Strategy and the Focused Logistics Roadmap;

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I. Description of Operations Financed: (Continued)

- Support the BRAC Industrial Joint Cross Service Group Deliberations and Analytical Requirements;
- Accelerate implementation of performance based logistics:
 1. Assess commercial benchmarks relative to application on DoD weapon system performance targets.
 2. Establish "customer-facing" metrics such as delivery performance time definite delivery and perfect order fulfillment.
- Establish "internal efficiency" metrics such as inventory days of supply.
- Identify and understand DoD Field-level Maintenance Costs;
- Ensure synchronization of the various enterprise integration programs under way within the Services and Agencies;
- Provide DoD supply chain metrics and analyses that support SECDEF objectives to improve readiness, decrease support costs, and reform DoD processes and organizations;
- Provide Material Readiness Strategic Roadmap and Maintenance Transformation;
- Implement a modern integrated supply chain by incorporating new innovations and best practices into DoD supply chain policies and processes;
- Coordinate the information technology requirements and functional capability within DUSD/L&MR activity; and
- Establish a formal integration and qualification structure to accelerate performance-based logistics initiatives within the Services and Agencies.

These tasks will help to accelerate the transition and transformation of the Department's logistics capabilities. They enable DoD to move toward the objective of transforming DoD logistics capabilities to support joint forces conducting distributed adaptive operations and integrating logistics capabilities from source

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I. Description of Operations Financed: (Continued)

of supply or service to point of effect across Services and Defense Agencies. They support the management goals of achieving credibility and effectiveness in acquisition and logistics and using technologies to create future capabilities, systems and strategies. They also support the SECDEF's objectives of improving readiness, decreasing support costs, and reforming DoD processes and organizations.

11. Homeless Blankets (FY 2007: \$3.4 million) The Stewart B. McKinley Homeless Assistance Act of 1987 requires DLA to provide blankets to qualified US 501(C)3 organizations working with the homeless. Homeless shelters request blankets, which are issued on a first-come, first-served basis up to the amount of funding.
12. Defense Finance and Accounting Service (DFAS) (FY 2007: \$1.4 million) DFAS requires reimbursement for accounting services provided to the activities and programs reflected in Other Logistics Services, Other Logistics Programs, and Warstoppers.
13. Counterterrorism/Force Protection (FY 2007: \$3.3 million) provides equipment and sustainment of additional security personnel in support of the Global War on Terrorism (GWOT).
14. The Joint Electronic Commerce Program Office (JECPO) (FY 2007: \$0.0 million) There is no O&M budget request for this program. It was disestablished and associated developmental funding realigned from DLA to the Defense Information Systems Agency (DISA) in FY 2004. DLA retained operational sustainment of the DoD Electronic Mall in O&M through FY 2005 and will fund associated costs through its Defense Working Capital Fund beginning in FY 2006.
15. The Joint Total Asset Visibility (JTAV) (FY 2007: \$0.0 million) There is no O&M budget request for this program. It was chartered to provide all DoD users with timely and accurate joint logistics and personnel asset information to support Joint

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Vision 2020 and Focused Logistics. The JTAV capability will enable national supply chain integration that is crucial to streamlined and responsive logistics and personnel support. Beginning in FY 2006, the JTAV capability will be absorbed by the Integrated Data Environment (IDE) initiative and DLA will fund its costs through its Defense Working Capital Fund.

16. Government Industry Data Exchange Program (GIDEP): (FY 2007: \$.2 million) As a buying command, DLA is a Joint Logistics Commanders (JLC) GIDEP member and shares in the funding support. GIDEP provides technical information for sharing with government and industry. Through GIDEP, DLA program managers can query and issue safety alerts to the GIDEP community. An example includes Urgent Data Requests which are queries to the GIDEP community to solve reliability and maintainability problems on specific parts, components, materials, processes or to request critical information not available from other sources.
17. Federal Employees' Compensation Act (FECA) Surcharge (FY 2007: \$2.1 million) pays the FECA surcharge to the Department of Labor for the Agency civilian pay accounts.
18. Small Business Administration Support (FY 2007: \$.2 million) pays the Small Business Administration costs incurred to certify firms that claim small disadvantage business status.
19. Base Support (FY 2007: \$.4 million) supports the requirements for Agency's Public Works Department base support services.
20. OPM Investigations: (FY 2007: \$.2 million) supports Office of Personnel Management (OPM) security investigations costs.

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21. Radio Frequency Identification (RFID) was a one-time Congressional add in FY 2005 for passive and active RFID DLA requirements.

22. Mobilization Warstoppers: (FY 2007: \$50.5 million) Funding for Warstoppers recognizes that the Department must take extra preparedness measures for certain supply items, and that critical industrial capability must be preserved to support the Department's readiness and sustainment requirements. This concept applies to items such as chemical protective suits, nerve agent antidote auto-injectors, meals-ready-to eat, and tray pack assemblies. Peacetime demand for these items is inadequate to sustain an industrial base sufficient for readiness and mobilization. DLA uses a rigorous business case evaluation to obtain a return on investment that maximizes warfighter benefits. These funds do not fall within the purview of the Defense Working Capital Fund (DWCF) because it emphasizes customer-provided relationships. The Warstoppers program, mandated by law, is the single Agency program for the preservation of essential production capability. It provides the means to invest in improving industry responsiveness without purchasing finished goods inventory. It includes the funding of Industrial Preparedness Measures (IPMs) that support the "surge" of go-to-war material to increase supply availability of spares and troop support items as directed in Defense planning documents. Industrial Base Maintenance Contracts (IBMC) currently preserve critical production capabilities for nerve agent antidotes with a minimal annual investment. Industrial readiness or preparedness investments enable DLA to provide surge capability for critical weapon systems and troop support items as a more cost-effective alternative to War Reserve Materiel (WRM).

23. Department of Justice (DOJ) Litigation Support There is no budget request for this program in FY 2007. In FY 2005, it funded DOJ environmental litigation support.

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24. Alaska Logistics Center was a one-time Congressional add in FY 2005.
25. Title IX was funding in FY 2005 for DLA Defense Distribution Center Theater Consolidation Shipping Point function due to the Global War on Terrorism.
26. FY 2005 Supplemental provided funding in FY 2005 largely for Warstoppers Lithium Battery Industrial Preparedness projects in support to the Global War on Terrorism.
27. FY 2005 Hurricane Supplemental was funding provided for hurricane relief efforts.
28. Commercial Technologies for Maintenance Activities (CTMA) was a Congressional add in FY 2006.
29. PartNet/NET Inventory and Subassembly was a one-time Congressional add in FY 2006.
30. Center for Supply Chain Management was a one-time Congressional add in FY 2006.
31. Logistics Integration Center (LOGIC) was a one-time Congressional add in FY 2006.
32. Managerial Support (FY 2007: \$.04 million) includes:
 - **Prior Year Invoices:** For bills received after the close of the fiscal year.
 - **Interest Penalty:** Penalties incurred due to payment processing delays.
 - **Official Representation Funds (ORF):** Special and official functions or ceremonies attended by DoD personnel and distinguished non-DoD personnel. Since FY 1998, all DLA activities have been required to use O&M funds for ORF functions.

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- Investigative Activities: DLA confidential investigations.
- Director's Medallion: The DLA Director presents medallions to DLA personnel for special accomplishments.

33. Defense Environmental Restoration Account (DERA): The Environmental Restoration Account, established by Congress in FY 1984, funds environmental programs for Installation Restoration Projects at DoD sites. These resources are used for achieving and maintaining compliance with the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendment and Reauthorization Act of 1986, and the National Contingency Plan. The Defense Environmental Restoration Program (DERP) provides centralized management for the cleanup of DoD hazardous waste sites. DLA uses the DERA to support the goals of the DERP. DLA implements the DoD DERP program through the Installation Restoration Program (IRP) to achieve this mission. IRP-financed operations include a comprehensive program to identify, investigate and clean up contamination from hazardous substances, pollutants, and contaminants at active DLA sites as well as formerly-owned or used properties and Potentially Responsible Party sites (third-party sites) where DLA is named as a responsible party.

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Other Logistics Programs (OLP) (FY 2007: \$75.851 million and 283 FTEs) are multiple program offices for which the Defense Logistics Agency (DLA) is either the executive agent or the budget administrator. Personnel (FTEs) work exclusively on the respective programs. The O&M appropriation funds the contracts, supplies, equipment maintenance, communications, salaries, awards, personnel benefits, travel, per diem, and training in support of these programs. The Activity Group, described below, includes:

1. DLA Program Direction
 - 1.1. DLA Information Operations
 - 1.1.1. Logistics Enterprise Support Program (LESP)
 - 1.1.2. Automatic Identification Technology (AIT)
 - 1.2 Law Enforcement Support Office (LESO)
 - 1.3 Defense Standardization Program Office (DSPO)
2. OSD Program Direction With Administrative Support From DLA
 - 2.1. Defense Property Accountability System (DPAS)
 - 2.2. Defense Microelectronics Activity (DMEA)
 - 2.3. Business Process Reengineering Center (BPRC)
 - 2.4. Defense Acquisition Career Management (DACM)
 - 2.5. Continuity of Operations Program (COOP)
 - 2.6. DoD Classified Program
 - 2.7. Defense Policy Analysis Office (DPAO)

1.1 DLA Information Operations is responsible for providing comprehensive, best practice technological support to the DoD/DLA logistics community resulting in the highest quality information systems, efficient and economical computing, data management, electronic commerce, and telecommunications services.

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- 1.1.1 Logistics Enterprise Support Program (LESP) (FY 2007: \$7.1 million) LESP transfers to the Business Transformation Agency (BTA) in FY 2007. The funding requested for FY 2007 supports the Defense Information Infrastructure (DII) which did not transfer with LESP.
- 1.1.2 Automatic Identification Technology (AIT) (FY 2007: \$3.2 million and 2 FTEs) is a suite of technologies (e.g., bar codes, smart cards, satellite tracking systems, and radio frequency identification (RFID) tags) that are used to capture, aggregate, and transfer data automatically to Automated Information Systems (AIS). This use of AIT in conjunction with AIS provides timely visibility of all logistics assets, whether in-process, in-storage, or in-transit. Current DoD policy requires the use of active (high capacity) RFID to mark certain consolidated shipments and passive RFID tags for the case, pallet, and item packaging for unique identification items.

1.2 Law Enforcement Support Office (LESO) (FY 2007: \$1.2 million and 12 FTEs) administers the transfer to Federal and State agencies of excess DoD personal property suitable for use by agencies in law enforcement activities, including counter-drug and counter terrorism activities under Section 1033 of the FY 1997 National Defense Authorization Act. In FY 2004, the Department transferred Drug Interdiction and Counterdrug Activities, Defense, funding for LESO to DLA.

1.3 Defense Standardization Program Office (DSPO) (FY 2007: \$5.4 million and 13 FTEs) transferred from OUSD(AT&L) to DLA in FY 1999. The DSPO mission is to develop and manage DoD-wide policies and procedures to implement Public Laws related to standardization, acquisition, and metrication. Associated actions require the DSPO to identify, influence, develop, manage, and provide access to standardization processes, products, and services for warfighters, the acquisition community, and the logistics community to promote interoperability, reduce total ownership costs, and sustain readiness. DSPO is

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authorized by Sections 2451-2452 of Title 10, which established the Defense Standardization Program (DSP), and the DoDI 4120.24, which implements the DSP in the DoD.

2.1 Defense Property Accountability System (DPAS) (FY 2007: \$12.3 million and 6 FTEs) is an integrated system that provides accounting and accountability for DoD-owned property. The Under Secretary of Defense Acquisition, Technology and Logistics (OUSDA(AT&L)) provides program management oversight.

2.2 Defense Microelectronics Activity (DMEA) (FY 2007: \$15.2 million, 125 direct-funded FTEs and 31 reimbursable FTEs) is chartered to take advantage of the capabilities and payoffs of advanced technologies to solve operational problems in weapon systems, increase operational capabilities, reduce operation and support (O&S) costs, and reduce the effects of Microelectronics Diminishing Manufacturing Sources and Material Shortages (DMSMS). The DoD is increasingly reliant on the use of "smart" weapons based on microelectronics; all future engagement scenarios depend on the use of these systems. Likewise, the use of microelectronics has exploded in the commercial world, driving the semiconductor industry to supersede successive generations of semiconductor technologies with new technologies every 18 months. The growth in commercial products has driven DoD's share of the semiconductor market below 0.1%. DoD must rely on technologies that become obsolete every 18 months and an industry in which DoD has no influence due to low market share. This is a Defense-wide issue since many systems across the Department use the same microelectronic process technologies.

The DMEA reverse-engineers microelectronic devices, using a unique and innovative methodology, to determine their function and specifications, analyze possible solutions, and design, build, and test the best solution. The DMEA strategy creates a comprehensive mix of commercially-viable solutions for DoD. Industry views this process favorably because DMEA converts components from non-producible to producible and enables industry

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to support the warfighter's requirements. The DMEA also evaluates the entire spectrum of microelectronics for current and future obsolescence issues, evaluates the feasibility of potential solutions, fosters technologies that address the problem, recommends solutions at all complexity levels, provides guidance, and recommends policy and procedure changes. The DMEA also gives government organizations streamlined access to state-of-the art technologies and engineering expertise. The DMEA assists system managers by applying both available leading-edge technologies and innovative applied research and development (R&D) approaches to develop solutions to current problems. DMEA was established by the Deputy Secretary of Defense under the authority, direction, and control of the Deputy Under Secretary of Defense for Logistics and Materiel Readiness (DUSD(L&MR)). DLA provides financial and administrative services as requested by DUSD(L&MR).

2.3 Business Process Reengineering Center (BPRC) (FY 2007: \$1.9 million and 17 FTEs) is a management analysis discipline that redesigns processes, organizations, and the culture of DoD activities, and is applied by functional leaders using improvement tools and techniques. The redesign approach can be radical or incremental to achieve dramatic improvements over time. BPR results in highly streamlined processes by providing for a cross-functional, integrated analysis of multiple activities or functions that contribute to a shared purpose. BPR, chartered to support the Under Secretary of Defense Acquisition, Technology and Logistics (USD(AT&L)), can include data modeling, and migration systems selection and support services necessary to carry out activities such as:

- 1) Strategic planning, outlining vision and goals;
- 2) Activity modeling of current and future processes, including cross-functional and integration analyses;
- 3) Data modeling (including data standardization) associated with activity modeling;
- 4) Benchmarking to identify and evaluate best practices and their application to DoD;

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- 5) Development of functional economic analyses;
- 6) Planning for BPR implementation and assessment;
- 7) Analysis leading to the selection of migration systems following BPR;
- 8) Development and identification of BPR tools.

2.4 Defense Acquisition Career Management transfers to the Defense Acquisition Agency (DAU) in FY 2006.

2.5 Continuity of Operations (COOP) (FY 2007: \$28.0 million, 50 direct-funded FTEs and 13 reimbursable FTEs), under the staff cognizance and oversight of the Office of the Secretary of Defense, transferred to DLA in FY 1994.

2.6 DoD Classified Program (FY 2007: \$1.5 million, 11 direct-funded FTEs, 3 reimbursable FTEs) transferred to DLA in FY 2001.

2.7 Defense Policy Analysis Office transfers to the Department of the Air Force in FY 2006.

II. Force Structure Summary: N/A

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III. Financial Summary (\$ in thousands):

A. <u>Budget Activity (BA)</u>	FY 2006						
	FY 2005 Actuals	Budget Request	<u>Congressional Action</u>			Curren t	FY 2007
			<u>Amount</u>	<u>Percen t</u>	<u>Appropriat ed</u>		
BA 2 Mobilization Warstoppers	46,227	39,693	-698	-1.8	38,995	38,995	50,497
BA 4 Other Logistics Services (OLS)							
Unemployment Compensation	9,604	11,526	-202	-1.8	11,324	11,324	11,904
Price Comparability	57,986	76,132	-1,343	-1.8	74,789	74,789	77,753
Morale, Welfare and Recreation	12,474	13,361	-235	-1.8	13,126	13,126	13,107
Continuing Health	30	442	-8	-1.8	434	434	456
Counter Drug Activities	575	-	-	-	-	-	-
Contingency Operations	706	1,504	-27	-1.8	1,477	1,477	1,460
Disability Compensation	645	774	-14	-1.8	760	760	799
Procurement Technical Assistance Program	26,038	20,009	6,648	33.2	26,657	26,657	19,837
Inventory Mgmt, Catalog Production & Distribution	24,307	28,230	-497	-1.8	27,733	27,733	26,639

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A. <u>Budget Activity (BA)</u>	FY 2006						
	FY 2005 Actuals	Budget Request	<u>Congressional Action</u>			Curren t	FY 2007
			<u>Amount</u>	<u>Percen t</u>	<u>Appropriat ed</u>		
Hard Copy Maps							
Logistics Transformation	7,569	8,058	-142	-1.8	7,916	7,916	7,999
Homeless Blankets	3,217	3,426	-60	-1.8	3,366	3,366	3,401
Defense Finance & Accounting Service	3,277	13,157	-232	-1.8	12,925	12,925	1,358
Counter-terrorism/Force Protection	2,714	3,027	-52	-1.7	2,975	2,975	3,308
Joint Electronics Commerce Program Office	2,043	-	-	-	-	-	-
Joint Total Asset Visibility	7,065	-	-	-	-	-	-
Government Industry Data Exchange Program	210	189	-2	-1.1	187	187	187
FECA Surcharge	-	2,181	-39	-1.8	2,142	2,142	2,115
Small Business Admin Support	117	205	-2	-1.0	203	203	215
Base Support	-	400	-7	-1.8	393	393	387
OPM Security Investigations	-	151	-2	-1.3	149	149	186
Radio Frequency	4,500	-	-	-	-	-	-

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A. Budget Activity (BA)	FY 2006						
	FY 2005	Budget	Congressional Action			Curren	FY
			Actuals	Request	Amount		
				t	ed	t	2007
Identification							
Department of Justice							
Litigation							
Support	3,000	-	-	-	-	-	-
Alaska Logistics Center	7,645	-	-	-	-	-	-
Commercial Technologies for							
Maintenance Activities	-	-	10,200	-	10,200	10,200	-
PartNet/NET Inventory and							
Subassembly	-	-	1,800	-	1,800	1,800	-
Center for Supply Chain							
Mgmt	-	-	12,750	-	12,750	12,750	-
Logistics Integration							
Center							
(LOGIC)	-	-	1,000	-	1,000	1,000	-
Managerial Support	126	44	-	-	44	44	43
Defense Environmental							
Restoration Account	15,419	-	-	-	-	-	-
Total Other Logistics						212,35	171,15
Services	189,267	182,816	29,534	15.4	212,350	0	4
Title IX	45,000	-	-	-	-	-	-
FY 2005 Supplemental	12,000	-	-	-	-	-	-

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A. <u>Budget Activity (BA)</u>	FY 2006						
	FY 2005	Budget	Congressional Action			Curren	FY
			<u>Actuals</u>	<u>Request</u>	<u>Amount</u>		
				<u>t</u>	<u>ed</u>	<u>t</u>	2007
FY 2005 Hurricane Supplemental	5,300	-	-	-	-	-	-
Total OLS Including Supplementals	251,567	182,816	28,836	15.8	212,350	212,350	171,154
Other Logistics Programs (OLP)							
DLA Information Operations:	8,219	16,456	-300	-1.8	16,156	16,156	10,330
<i>Memo: Logistics Enterprise</i>							
<i>Support Program</i>	5,657	13,074	-234	-1.8	12,840	12,840	7,100
<i>Memo: Automatic ID Technology</i>	2,562	3,382	-66	-2.0	3,316	3,316	3,230
Law Enforcement Support Office	1,090	1,245	-54	-4.3	1,191	1,191	1,233
Defense Standardization Program							
Office	5,144	5,473	-125	-2.3	5,348	5,348	5,384
Defense Property Accountability System	10,241	11,204	-211	-1.9	10,993	10,993	12,318

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III. Financial Summary (\$ in thousands):

A. <u>Budget Activity (BA)</u>	FY 2006						
	FY 2005 Actuals	Budget Request	Congressional Action			Curren t	FY 2007
			<u>Amount</u>	<u>Percen t</u>	<u>Appropriat ed</u>		
Defense Microelectronics Activity	14,687	15,427	1,171	7.6	16,598	16,598	15,244
Business Process Reengineering Center	1,771	1,879	-40	-2.1	1,839	1,839	1,850
Defense Acquisition Career Mgmt	521	849	-	-	849	-	-
Continuity of Operations Program	22,870	29,337	-634	-2.2	28,703	28,703	28,018
DoD Classified Program	1,385	1,456	-26	-1.8	1,430	1,430	1,474
Defense Policy Analysis Office	14,662	-	-	-	-	-	-
Total Other Logistics Programs	80,590	83,326	-219	-0.3	83,107	82,258	75,851
Total Defense Logistics Agency	378,384	305,835	28,617	9.4	334,452	333,603	297,502
FY 2005 Supplemental (included in Total)	12,000	-	-	-	-	-	-
Title IX Supplemental (included	45,000	-	-	-	-	-	-

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III. Financial Summary (\$ in thousands):

A. <u>Budget Activity (BA)</u>	FY 2006						FY 2007
	FY 2005 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Curren t	
			<u>Amount</u>	<u>Percen t</u>	<u>Appropriat ed</u>		
In total)							
FY 2005 Hurricane Supplemental (included in total)	5,300	-	-	-	-	-	-
Title IX (not Included in total)	-	-	20,000	-	20,000	20,000	-

* The FY 2005 Actual column includes \$12.0 million of FY 2005 Supplemental funds (PL 109-13), \$5.3 million of FY 2005 Hurricane Supplemental funds (PL 108-324, PL 109-61, and PL 109-62), \$45.0 million of FY 2004/FY 2005 Title IX obligations (PL 108-287).

* The FY 2006 Estimate column excludes \$20.0 million of FY 2006 Title IX obligations (PL 109-148).

NOTE: The Logistics Enterprise Support Program transfers to the Business Transformation Agency in FY 2007.

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III. Financial Summary (\$ in Thousands) (Continued)

B. Reconciliation Summary

Change
FY 2006/FY
2006

Change
FY 2006/FY
2007

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III. Financial Summary (\$ in Thousands) (Continued)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2006 President's Budget Request		305,835
1. Congressional Adjustments		
a. Distributed Adjustments		34,250
1) Procurement Technical Assistance Program	7,000	
2) Commercial Technologies for Maintenance Activities	10,200	
3) PartNet/NET Inventory and Subassembly	1,800	
4) Center for Supply Chain Management	12,750	
5) Logistics Integration Center (LOGIC)	1,000	
6) Defense Microelectronics Activity (DMEA)	1,500	
b. Undistributed Adjustments - Unobligated Balances		-641
c. Adjustments to meet Congressional Intent		
d. General Provisions		-4,809
1) Sec 8087 - Advisory and Assistance Services	-641	
2) Sec 8125 - Economic Assumptions	-535	

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III. Financial Summary (\$ in Thousands) (Continued)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
3) Sec 8109 - Excessive Growth in Travel and Transportation	-252	
4) 1 Percent Rescission	-3,381	
e. Congressional Earmarks - Indian Lands Environmental Impact		-183
FY 2006 Appropriated Amount		334,452
2. War-Related and Disaster Supplemental Appropriations		20,000
FY 2006 Title IX Supplemental	20,000	
3. Fact of Life Changes		-849
a. Functional Transfers	-849	-
Defense Acquisition Career Management (DACM) Transfer to Defense		
Acquisition Univeristy (DAU)		
b. Technical Adjustments		-
c. Emergent Requirements		-
FY 2006 Baseline Funding		353,603

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III. Financial Summary (\$ in Thousands) (Continued)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
4. Reprogrammings (requiring 1415 Actions)		
Revised FY 2006 Estimate		353,603
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings, Iraq Freedom Fund Transfers		-20,000
FY 2006 Normalized Current Estimate		333,603
6. Price Change		5,435
7. Functional Transfers		
a. Transfers In		
b. Transfers Out		-5,715
The Logistics Enterprise Support Program (LESP) is realigned from DLA to the Business Transformation Agency (BTA)	-5,715	
8. Program Increases		
a. Annualization of New FY 2006 Program		-
b. One-Time FY 2006 Increases		-

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III. Financial Summary (\$ in Thousands) (Continued)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
c. Program Growth in FY 2007		14,180
1) Warstoppers increase based on lessons learned from Global War on Terrorism with increases to land based (Class IX) parts/repair and medical readiness (Base: \$38,995)	10,644	
2) Continuing Health increase due to estimated requirements for employee benefits (Base: \$434)	12	
3) Disability Compensation increase due to estimated requirements for employee benefits (Base: \$760)	22	
4) Small Business Administration costs to certify small disadvantage business status (Base: \$203)	8	
5) Counter-terrorism/Force Protection increased equipment and training (Base: \$2,975)	268	
6) Security investigations increase to support estimated workload costs by Office of Personnel Management (Base: \$149)	34	
7) Unemployment increase due to estimated requirements (Base: \$11,324)	329	
8) Price Comparability increase due to depot management	1,760	

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III. Financial Summary (\$ in Thousands) (Continued)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
costs for war reserve, war time essential and disaster relief items (Base: \$74,789)		
9) Increased contractor support for the Defense Property Accountability System (Base: \$10,993)	1,081	
10) Increased contractor support for the Law Enforcement Support Office (Base: \$1,191)	13	
11) Increase for the Classified Program is due to additional labor requirements (Base: \$1,430)	9	
9. Program Decreases		
a. Annualization of FY 2006 Program Decreases		-
b. One-Time FY 2006 Decreases		-1,750
1) Defense Microelectronics Activity decrease due to a one-time Congressional add in FY 2006 (Base: \$16,598)	-1,750	
2) Commercial Technologies for Maintenance Activities decrease due to prior year Congressional add (Base: \$10,200)	-10,424	
3) Logistics Integration Center decrease due to prior year Congressional add (Base: \$1,000)	-1,022	

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III. Financial Summary (\$ in Thousands) (Continued)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
4) Supply Chain Management decrease due to prior year Congressional add (Base: \$12,750)	-13,031	
5) PartNet/NET Inventory and Subassembly decrease due to prior year Congressional add (Base: \$1,800)	-1,840	
c. Program Decreases in FY 2007		-48,251
1) Blankets decrease due to estimated costs (Base: \$3,366)	-39	
2) PTAP decrease due to prior year Congressional add (Base: \$26,657)	-7,406	
3) Logistics Transformation increase due to program requirements for Department transformation initiatives (Base: \$7,916)	-91	
4) DFAS decrease due to one-time system and workload costs (Base: \$12,925)	-10,326	
5) Morale, Welfare and Recreation decrease due to previous year gym equipment purchases (Base: \$13,126)	-307	
6) DLA Mapping decrease due to one-time relocation costs in previous year (Base: \$27,733)	-1,704	

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III. Financial Summary (\$ in Thousands) (Continued)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
7) Contingency Operations for Bosnia and Kosovo support (Base: \$1,477)	-49	
8) Base Support decrease due to estimated requirements for Agency Public Works Department services (Base: \$393)	-15	
9) FECA surcharge decrease due to estimated costs (Base: \$2,142)	-75	
10) Interest Penalty decrease due to estimated requirements (Base: \$1)	-1	
11) Government Industry Data Exchange Program decrease due to estimated support requirements (Base: \$187)	-4	
12) Decreased contractor support for Logistics Enterprise Support Program (Base: \$12,840)	-308	
13) Decrease for the Business Process Reengineering Center is for reduced contractor support and labor (Base: \$1,839)	-33	
14) Decrease for Automatic Identification Technology is due to reduced contractor support costs (Base: \$3,316)	-159	
15) Decrease for the Defense Standardization Program Office	-86	

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III. Financial Summary (\$ in Thousands) (Continued)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
is due to reduced contractor support costs (Base: \$5,348)		
16) Decrease is due to the Defense Continuity Program Office (part of Continuity of Operations Program) operation funding requirements (Base: \$28,703)	-1,331	
FY 2007 Budget Request		297,502

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IV. Performance Criteria and Evaluation Summary

Other Logistics Services (OLS) includes multiple programs for which DLA is either the executive agent responsible for program oversight and policy guidance or the budget administrator responsible for administrative support. Measures used for all programs to track performance are *customer satisfaction* and *funding execution*. Performance criteria follow:

Customer Satisfaction is measured through surveys, comment cards and informal as well as formal customer feedback. Customer satisfaction is also measured through Congressional inquiries and appeals as related to the program execution of Congressional adds. Problems identified in this measure are assessed for corrective action.

Funding execution's goal to obligate 100 percent of funds received through improved financial management processes, increased training and more aggressive execution plans. Budget estimate accuracy is an important execution success factor for Unemployment, Continuing Health Benefits, Disability Compensation. DLA tracks trends and reviews aged accounts to assess the accuracy of previous funding levels. DLA requires programs that perform at less than projected execution rates to reassess financial plans.

The Warstoppers Program enhances DoD's wartime readiness by funding activities that improve DLA's capability to meet the Services' and Combatant Commanders' wartime requirements. The program also funds industrial preparedness measures that preserve critical industrial capability and accelerate the production of critical spares and troop support items, such as Medical, Clothing & Textiles, and Subsistence Rations. Comprehensive industrial base assessments, plans to address capability shortfalls, and industrial preparedness measures form the basis for the metrics. The Warstoppers Program metrics are requirements validation, industry capability validation, requirements offset capability, and resource availability/management and percent of items with surge

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IV. Performance Criteria and Evaluation Summary (Continued)

coverage. The metrics account for coverage of war reserve requirements, surge testing, and return on investment which is calculated against the offset of unfunded War Reserve Requirements identified by the Services. Warstoppers averages \$5 offset for every \$1 invested in industrial surge capabilities.

The Procurement Technical Assistance Program (PTAP) evaluates the performance of our resource investment by requiring the Procurement Technical Assistant (PTA) Centers, established with the award of the PTA Cooperative Agreement, to submit PTA Performance Data Reports bi-annually. The first report covers the first six months of performance and the second, or final report provides the accumulative data for the entire year and is submitted 90 days after the expiration date of the PTA Cooperative Agreement's performance period. The report tracks the number of Active Clients, Outreach Events, Initial and Follow-up Counseling Sessions by category of Small Business Concerns, Other Businesses, and the number and dollar value of prime and subcontract awards. The dollar value of prime and subcontract awards is used to calculate the number of jobs that may have been created as a result of the PTAC's efforts. Procedure for validating the data submitted in the Performance Data Reports must be available during on-site reviews of the Program.

The Morale, Welfare & Recreation performance metrics track readiness support as it relates to quality child care, physical fitness and family support programs and relocation assistance; Non-Appropriated Fund accountability and reinvestment; and customer service provided in the areas of recreation activities such as lodging, pools, dining facilities and information, ticketing and reservations.

The Counter-terrorism/Force Protection metrics include execution of planned systems requirements and sustainment of security personnel.

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IV. Performance Criteria and Evaluation Summary (Continued)

The Environmental Restoration Program funded by DERA uses two Measures of Merit (MOM) which are categorized by risk (MOM#R1) and phase (MOM#R2). Table 1 shows estimates for site cleanup by risk category (MOM#R1) at the end of FY 2006 and FY 2007:

Category	FY 2006	FY 2007
High Risk	2	0
Medium Risk	1	0
Low Risk	2	1

Table 2 shows projected status by activity type (MOM#R2) at the end of FY 2006 and FY 2007:

Category	FY 2006	FY 2007
Investigation	1	0
Cleanup	16	14
Response Complete	360	363

The Defense Property Accountability System exists to field and sustain an integrated system for accounting and accountability of DoD-owned property for the Departments of the

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IV. Performance Criteria and Evaluation Summary (Continued)

Army and Navy and most Defense Agencies. DPAS performance focuses on customer satisfaction, data quality and data reliability. In 2004, customer satisfaction programs included Call Center operations, training, and customer outreach and communication via deployment of a new web-site. In FY 2004, the DPAS Quality Assurance function substantially improved DPAS data accuracy and reliability through continued analysis and follow-up. In FY 2005, the Department of the Army will be deploying DPAS at all Army Government-owned contractor-operated sites.

The Defense Microelectronics Activity (DMEA) leverages the capabilities and payoffs of advanced technologies to solve operational problems, increase operational capabilities, reduce operation and support costs, extend useful life, and reduce the effects of diminishing manufacturing sources in weapon systems. Customer satisfaction, which is DMEA's critical performance measure, is measured through surveys and formal and informal customer feedback. Individual projects performing below expected customer satisfaction rates must initiate recovery plans to ensure that this measure is achieved. Customer satisfaction has risen from 94% in FY 2002 to 96% in FY 2004; DMEA plans to maintain this rating through FY 2007.

DMEA also measures its funding execution, and consistently obligates over 99% of its funding. DMEA will maintain or improve its obligation rate in FY 2006 and 2007 through strong financial management processes and aggressive execution plans.

The Defense Standardization Program Office (DSPO) develops policies, procedures and guidance ensuring standardized policy across the Military Departments and Defense Agencies. The qualitative performance indicators for the DSPO are:

- Effectiveness of the DSP as a single source for information exchange and coordination of all defense standardization efforts, measured by increased number of

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IV. Performance Criteria and Evaluation Summary (Continued)

organizations participating in information exchange, and increased customer satisfaction based on survey results; and

- Success in institutionalized development and use of performance and Non-Government Standards (NGSs) in the DoD, measured by increased usage of performance and NGSs, and decreased usage of military-unique specifications and standards.

The Business Process Reengineering Center (BPRC) proposes redesign of processes, organizations and culture to streamline functions and reduce inefficiencies across the Department. It also contributes to improvements in the E-Business areas of logistics systems modernization, acquisition reporting, information technology (IT), and internal processes and business practices. Performance measures track the development of network architecture, support to the Future Logistics Enterprise, end-to-end procurement process integration and modernization, integrated digital environment acquisition life-cycle, and, the Acquisition Technology & Logistics (AT&L) IT modernization and knowledge management portal capability. The continuing mission for FY 2007 is to support these initiatives and to identify opportunities for business process improvements throughout the OUSD(AT&L) organization.

V. Personnel Summary

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	Change FY 2005/ <u>FY 2006</u>	Change FY 2006/ <u>FY 2007</u>
<u>Active Military End Strength (E/S)</u> <u>(Total)</u>	21	21	21	-	-
Officer	3	3	3	-	-

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IV. Performance Criteria and Evaluation Summary (Continued)

V. <u>Personnel Summary</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	Change FY 2005/ <u>FY 2006</u>	Change FY 2006/ <u>FY 2007</u>
Enlisted	18	18	18	-	-
<u>Civilian End Strength (Total)</u>	290	283	284	-7	1
U.S. Direct Hire	290	283	284	-7	1
<i>Memo: Reimbursable Civilians Included</i>	40	44	48	4	4
<u>Active Military Average Strength (A/S) (Total)</u>	21	21	21	-	-
Officer	3	3	3	-	-
Enlisted	18	18	18	-	-
<u>Civilian FTEs (Total)</u>					
U.S. Direct Hire	272	278	283	6	5
<i>Memo: Reimbursable Civilians Included</i>	35	42	47	7	5

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IV. Performance Criteria and Evaluation Summary (Continued)

V. <u>Personnel Summary</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	Change FY 2005/ <u>FY 2006</u>	Change FY 2006/ <u>FY 2007</u>
Average Annual Civilian Salary	\$113,926	\$113,007	\$113,562	-919	555

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VI. OP 32 Line Items as Applicable (Dollars in Thousands):

<u>OP 32 Line</u>	Change from			Change from			<u>FY 2007</u>
	<u>FY 2005 / FY 2006</u>			<u>FY 2006 / FY</u>			
	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	
<u>Actuals</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	
Civilian Personnel Compensation							
101 Executive, General and Special Schedules	27,890	892	-1,232	27,550	669	-608	27,611
103 Wage Board	48	2	-	50	1	-	51
107 Voluntary Separation Incentive Pay	100	-	-100	-	-	-	-
199 Total Civilian Personnel Compensation	28,038	894	-1,332	27,600	670	-608	27,662
Travel							
308 Travel of Persons	1,109	28	-540	597	14	-15	596

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	Change from			Change from			
	<u>FY 2005 / FY 2006</u>			<u>FY 2006 / FY</u>			
	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
<u>OP 32 Line</u>	<u>Actuals</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
399 Total Travel	1,109	28	-540	597	14	-15	596
Supplies & Materials Purchase							
415 DLA Managed Supplies & Materials	1	-	-1	-	-	-	-
416 GSA Managed Supplies & Materials	15	-	-15	-	-	-	-
499 Total Supplies & Materials Purchases	16	-	-16	-	-	-	-
Other Fund Purchases (Exclude Transportation)							
671 Communications Services	368	6	-367	7	-	-	7

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<u>OP 32 Line</u>	Change from			Change from				
	<u>FY 2005 / FY 2006</u>			<u>FY 2006 / FY</u>				
	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>	
<u>Actuals</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>		
(DISA) Tier2								
673 Defense Finance & Accounting Services	3,277	-88	9,737	12,926	-1,241	-10,326	1,359	
679 Cost Reimbursable Purchases	180,723	4,337	-61,322	123,738	2,282	64	126,084	
699 Total Purchases	184,368	4,255	(51,952)	136,671	1,041	-10,262	127,450	
Transportation of People								
771 Transportation	36	-	-30	6	-	-	6	
799 Total	36	-	-30	6	-	-	6	
Other Purchases								

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	Change from			Change from			FY 2007 <u>Estimate</u>
	<u>FY 2005 / FY 2006</u>			<u>FY 2006 / FY 2007</u>			
<u>OP 32 Line</u>	<u>FY 2005 Actuals</u>	<u>Price Growth</u>	<u>Program Growth</u>	<u>FY 2006 Estimate</u>	<u>Price Growth</u>	<u>Program Growth</u>	
912 Rental Payments to GSA Leases (SLUC)	1	-	-	1	-	-	1
913 Purchases Utilities	452	11	152	615	14	-1	628
914 Purchase Communications	7	-	-	7	-	-	7
915 Rents (Non-GSA)	40	1	-1	40	1	-1	40
920 Supplies & Materials	616	13	-22	607	13	-78	542
923 Facility Maintenance by Contract	309	7	-106	210	4	-153	61
925 Equipment Purchase	151	4	-129	26	1	-	27
987 Other Intra-Govt Purchases	18,349	440	-6,091	12,698	278	1,081	14,057
989 Other Contracts	144,843	3,475	6,185	154,503	3,399	-31,497	126,405

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	Change from			Change from			
	<u>FY 2005 / FY 2006</u>			<u>FY 2006 / FY</u>			
<u>OP 32 Line</u>	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
	<u>Actuals</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
998 Other Costs	49	1	-28	22	-	-1	21
999 Total Other Purchases	164,817	3,952	-40	168,729	3,710	-30,651	141,788
Total Operation & Maintenance	378,384	9,129	-53,910	333,603	5,435	-41,536	297,502

- The FY 2005 Actual column includes \$12.0 million of FY 2005 Supplemental funds (PL 109-13), \$5.3 million of FY 2005 Hurricane Supplemental funds (PL 108-324, PL 109-61, and \$45.0 million of FY 2004/FY 2005 Title IX obligations (PL 108-287).
- The FY 2006 Estimate column excludes \$20.0 million of FY 2006 Title IX obligations (PL 109-148).