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COMMERCIAL CONTRACTING OF ARMY LODGING AND LEISURE
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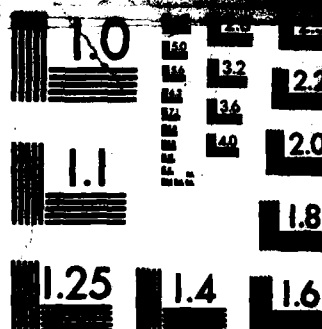
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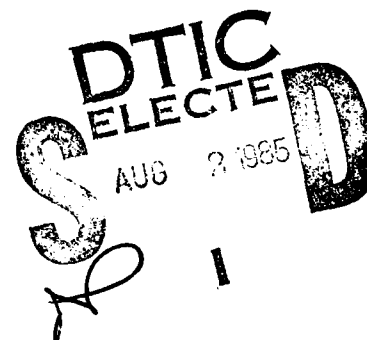
STUDY PROJECT

COMMERCIAL CONTRACTING OF ARMY LODGING AND LEISURE ACTIVITIES

BY

LIEUTENANT COLONEL WILLIAM STEINHAEUER, OMC

22 MAY 1985



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USAWC MILITARY STUDIES PROGRAM

COMMERCIAL CONTRACTING OF ARMY LODGING AND LEISURE ACTIVITIES

INDIVIDUAL STUDY PROJECT

by

Lieutenant Colonel William Steinhauer, QMC

Colonel Ted V. Cooper, FI
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US Army War College
Carlisle Barracks, Pennsylvania 17013
22 May 1985

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ABSTRACT

AUTHOR: William Steinhauer, LTC, QMC
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The basic question is should the Army escalate the modernization rate at which Army Morale, Welfare and Recreation facilities and programs are being improved. How best can the Army accomplish a program of modernization when the need seems so much larger than the means. Would commercial contracting of selected Army Morale, Welfare and Recreation Programs produce management efficiencies and economies of operation and/or sufficient and significant private capital to replace these vital morale enhancing activities and modern and pleasing physical plants.

PREFACE

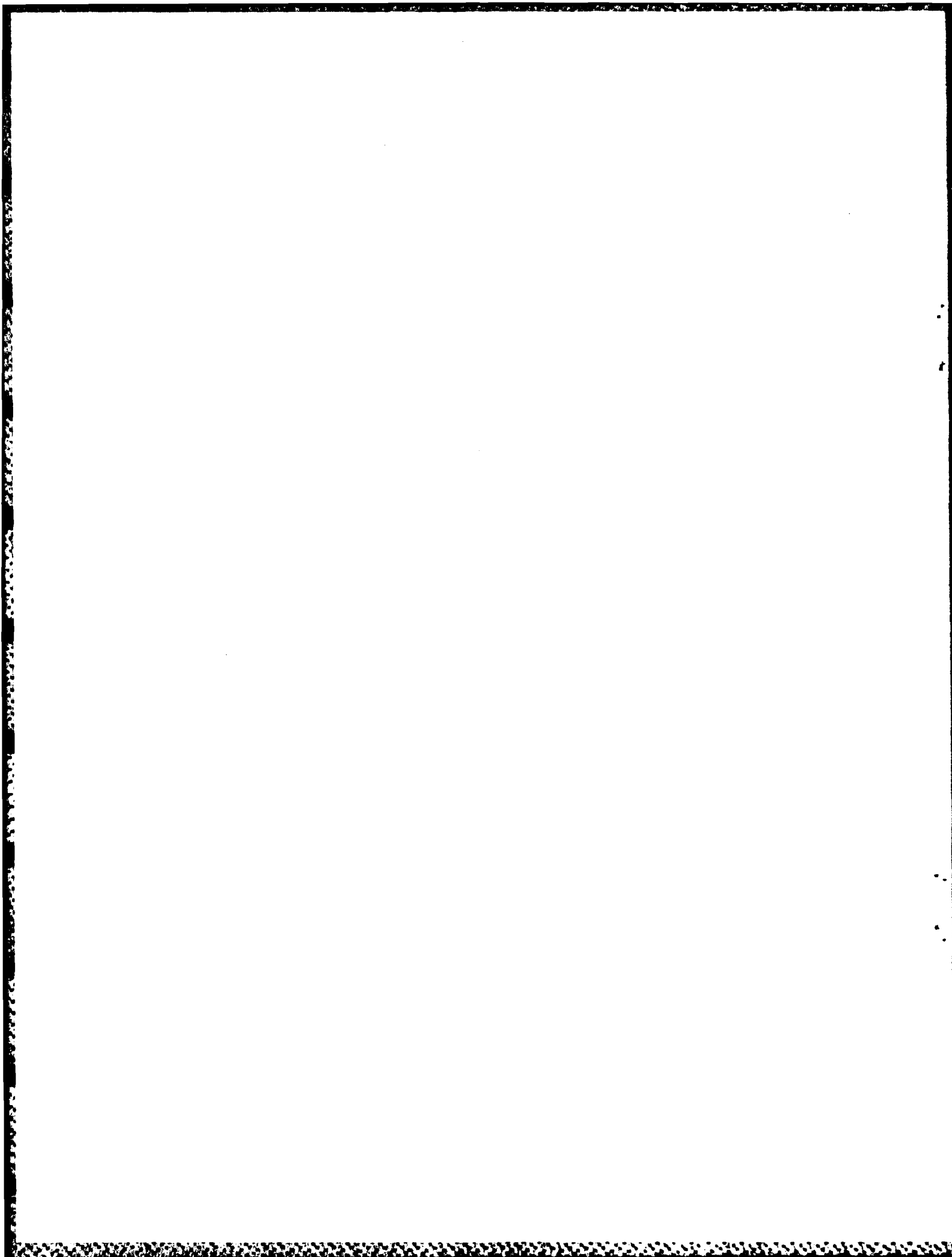
This Individual Study Project was produced as an individual effort of the author who has labored the majority of his career in the area of The Nonappropriated Fund aegis of Army Morale, Welfare and Recreation programs and activities. An indepth knowledge of these little recognized and often misunderstood military activities and their relationship to the Total Army human and readiness goals will be a valuable asset to the author. If this study can assist others to better understand the systems by which we furnish our soldiers and their families' programs to occupy free time with creative pursuits, physical or mental exercise and play, or hobbies and avocations, the value will be increased tenfold. If the study favorably influences the rate of management improvement or the level of funding available for expenditure on morale, welfare and recreation facility improvements then the undertaking will be of far greater value.

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"We should be able not only to work well
but to use leisure well.
For, as I repeat once more,
the first principle of all action is leisure.
Both are required,
but leisure is better than work, and is its end. . . ."
ARISTOTLE

CHAPTER I

INTRODUCTION

Generating revenues of approximately \$900 million annually from 1,354 activities on 446 installations and properties throughout the world, Army Morale, Welfare and Recreation (MWR) programs are vast, varied and in many instances scaled to the scope of big business.¹ Material, services, programs and activities are provided by Army MWR activities to approximately four million Army military and Army associated personnel. Fiscal year 1984 (FY 84) supported population included active duty (785,806), Army Guard and Reserve (951,713) personnel; civilian employees (445,804); family members (1,089,051); and retirees and unremarried widows/widowers (560,279).² These MWR activities operate at most of the 210 Army installations and properties in the United States and on the 236 installations in ten foreign countries and US territories where Army personnel are assigned.³

To operate these 1,354 MWR activities 42,387 nonappropriated fund (NAF) personnel, paid from the revenues generated by these fund activities, are employed. Additionally, Army MWR programs employ 7,747 appropriated fund (tax paid) personnel and 2,366 military personnel are assigned, primarily in positions of command and control.⁴ Department of Defense (DOD) policy provides that MWR activities be operated, maintained and funded as an integral part of

the military personnel program. Depending upon the nature of the program, some will be supported wholly or predominately with appropriated funds (APF) while others will be supported wholly or predominately with NAF.⁵ For the FY 84 funding of a well-rounded MWR program \$463 million APF was provided Army activities in six appropriations.⁶

COSTS

A reality of modern American political life is the competition and contest between social and national defense programs for appropriations and public support. While the United States is presently being swept along by an outpouring of national self-confidence and patriotism given stimulus by the October 1983 events in Grenada and American success in the Summer Olympic Games of 1984, the mood of the country is to support defense, and spending for defense. However, the national mood stimulated by recurring news items of \$200 hammers, \$7,000 coffee makers, and seemingly endless tales of defense contractor fraud is skeptical that defense dollars are well managed and that any increase in defense spending is justified. All aspects of the Army budget are continuously under review. Military manpower costs which consume a significant portion of the appropriation along with force modernization costs have been increasing. The Army MWR program is a relatively small portion of the military personnel budget authority. Each year the question of how much the Army MWR program cost the taxpayers is detailed. As reported to the Assistant Secretary of Defense for Manpower, Installations and Logistics, overall program funding uses for FY 84 were \$1.36 billion: 66 percent NAF; 34 percent APF.⁷ These NAF monies are derived as income from the sale of products, user fees or other non-operating incomes, and AAFES distributions.

Appropriated fund support has been justified under the provisions of Title 10, United States Code, (Section 3012 Army). The code directs the

military department secretary to employ resources to provide for the welfare of personnel under his jurisdiction. The DOD Appropriations Act annually provides the Army these funds under the general provisions of six appropriations. The principal legal justification for APR provided to support MWR activities is contained in the Title 10, United States Code and the annually enacted appropriation statutes. There is no statutory basis for the now well established and widely accepted practice of using nonappropriated funds as a major source of fiscal support for MWR programs.⁸

MWR funding sources and funding uses for FY 84 are displayed at Tables 1-1 and 1-2. FY 84 is an atypical year in that APF support to Army MWR increased \$70.6 million, \$51 million of which was a six-plus-fold increase in APF resourced major construction.

PROBLEM

The Constitution of the United States provides for raising and maintaining an Army for the purpose of national defense. The Army's first priority must be war deterrence, and should deterrence fail to be capable of war winning within available resources. Army's executive leadership in a series of interlocking actions have determined to improve the Army's capabilities during the 1980's with tough and realistic training while concurrently proceeding with the fielding of several hundred new equipment systems scheduled for distribution through the active and reserve components. One "bill payer" for modernization is the preplanned manning of a 780,000 person Army, the smallest Army in 30 years.⁹

The Army goals' espoused by the executive leadership have become the management tools for the planning and programming necessary to move our Army to the future in the most effective way by balancing limited resources with force modernization needs. General Wickham, CSA, states that since the Army's

strength lies in its people, the Human Goal undergirds the other Army Goals for realization of their full potential.¹⁰ The Army's quality of life program is dedicated to the precept that the Army's number one operational resource, the soldiers and their families, must have a quality of life which fosters personal readiness and commitment to the Army's mission. As an integral part of the quality of life program MWR dedicated toward supporting unit cohesion, personnel readiness and retention. Soldiers and their families need a variety of wholesome recreation alternatives for the productive use of free time that can be occupied in creative pursuits, physical or mental exercise and play or hobbies and vocations, dining and social needs. Many today believe the emphasis should be on activities such as sports and physical activities, skill-development, automotive self-help repair, libraries, and a variety of other MWR activities which directly relate to cohesiveness of the Army family and the family of Army units in support of the national defense mission.

In the early 1980's Army MWR managers were challenged to better use resources and improve the delivery of quality MWR facilities and services. The FY 82 MWR Annual Report noted many soldiers continue to live, work and spend their off-duty time in substandard and sometimes deplorable facilities. While both the Army and Congress recognized the need to improve those facilities the problem continues to be faced with inadequate funding for MWR construction and major renovation. The FY 82 estimate was that there was an \$800 million NAF and a \$2 billion APF MWR construction backlog. The rate of success for APF (Military Construction Army-MCA) construction projects has been that only eight percent of the projects submitted by commanders survived Department of the Army, Department of Defense and Congressional review. From 1980 through 1983, only 31 of 137 Army requests for MWR facility construction were approved.¹¹

In the United States and overseas we lodge, dine, resort, exercise, play, and care for our children in many buildings which are World War II-era, or older. Based on a recent survey the Army's worldwide known MWR major construction and renovation requirements approach \$4 billion. Detailed as: (\$ millions).¹²

MCA	\$1,868
NAF	<u>\$1,806</u>
	\$3,674

The results of a recent selected Army survey of MWR facility age shows over half are in buildings more than 40 years in age. See Table 1-3.¹³ By FY 84 Army initiatives to modernize the MWR physical plant through the generation of NAF dollars with business management economies and efficiencies, the structuring of MWR self-sufficiency, the installation of Army slot machines and the application of an increased amount of APF authorized MWR activities was showing good results. From FY 81 through FY 84 capitalization of Army MWR facilities increase six-fold to \$156.1 million per annum.¹⁴ However, when the capital investment rate is compared with the known requirement it will take over 15 more years to provided for todays' MWR facility needs if no existing facilities continue aging and deteriorating. But they will.

The Army MWR umbrella encompasses a wide range of activities: clubs, package beverage stores; billeting, guest houses and hotels; outdoor recreation, sports, youth programs, music and theater, libraries; child care; physical fitness; and military exchanges to name but a few. See Appendix 1 for a categorization of all MWR type activities and their supporting NAFIs.¹⁵ Many of these activities are intended for APF support wholly or predominately, or they have no practical means for obtaining fiscal self-sufficiency, yet they are vital to filling the varied needs and interests within the Army community. Full APF support is authorized libraries and sports. Predominately APF

support is authorized Army Community Services, outdoor recreation, youth activities, entertainment, arts and crafts and recreation centers. Limited APF support is is authorized billeting, child care, skating, resale activities, golf, bowling and the traditional membership clubs, i. e. officer, noncommissioned, or enlisted. Under the Army's MWR operational concept for self-sufficiency the primary MWR revenue generators are package beverage stores, billeting, guest houses, membership clubs, bowling, golf, with potential revenue contributions coming from craft shops, child care, outdoor recreation and special events. Limited APF support is authorized billeting, child card, skating rinks, resale activities, golf, bowling and membership clubs.

Increased costs, restricted revenues and cumbersome command and control procedures have resulted from a maze of regulation and change thrust upon commanders and MWR management. Constraints impacting upon MWR operations include salary and wage guidelines, price guidelines, environmental protection, blind vending laws, handicapped and veterans programs, safety needs, energy conservation, antismoking programs and alcohol deglamorization initiatives. Frequently aggravating the cost control and management overseas are the host nation status of forces agreements. MWR managers face challenges and responsibilities which are, in some cases, more demanding than those in the private sector.¹⁶

PROBLEM STATEMENT

Statement of Problem. To determine if commercial contracting with a national hospitality chain would improve MWR management or enhance facility ambience through intensified capitalization of selected MWR operations.

SUMMARY

Service members and their families should be able to enjoy the benefits of the society they are pledged to defend.¹⁷ As an institution, not an organization, the Army has a behavior pattern important in the life of the society, a dedication to the care of our soldiers. In today's Army many of the benefits of the society are delivered by the MWR activities of our soldiers and their families, and that system of support is an integral aspect of our ability to recruit and retain a viable, committed and ready fighting force.

TABLE 1-1

FY 84 ARMY-WIDE MWR FUNDING SOURCES

(\$ MILLIONS)

APPROPRIATED FUNDS (APF)		NONAPPROPRIATED FUNDS (NAF)	
MILITARY PERSONNEL	\$ 47	SALE OF PRODUCTS	\$502
OPERATIONS & MAINT ARMY	336	USER FEES & OTHER	283
RES & DEV, TEST & EVAL	7	NON-OPERATING INCOME	112
ARMY INDUSTRIAL FUND	13		
O & MA RESERVES	1		
MILITARY CONSTRUC-ARMY	59		
	\$463		\$897

*APF reimbursements show in like amounts as APF and NAF sources. An overstatement of \$55M will occur when the APF and NAF sources are added together. This same effect occurs in the same amount for the uses, Table 1-2.

TABLE 1-2

FY 84 ARMY-WIDE MWR FUNDING USES

(\$ MILLIONS)

	APPROPRIATED FUNDS (APF)	NONAPPROPRIATED FUNDS (NAF)
COST OF ITEMS SOLD	\$N/A	\$265
MILITARY PERSONNEL	47	N/A
CIV PERS SAL & BENEFITS	147	302
UTILITIES	49	3
MAINTENANCE & REPAIR	36	8
SUPPLIES	41	27
CONTRACTUAL SERVICES	45	13
COMMON SERVICE SUPPORT	N/A	26
CAPITAL IMPROVEMENTS	59	83
RESERVE FOR CAPITAL IMPROVEMENTS	N/A	68
OTHER EXPENSES	<u>39</u>	<u>106</u>
	\$463	\$897
NUMBER OF MWR EMPLOYEES	10,113	42,387
(Military FT	2,078	Regular FT 10,633)
(Military PT	288	Regular PT 7,492)
(GS FT	5,234	Temp FT 599)
(GS PT	374	Temp PT 683)
(Wage Brd FT	380	Intermittent 17,121)
(Wage Brd PT	51	Foreign FT 4,103)
(Foreign FT	1,572	Foreign PT 994)
(Foreign PT	33	Foreign Temp 762)
(Foreign Temp	103	)

TABLE 1-3

SELECTED MWR FACILITY AGE ARMY-WIDE

AGE	ARMY BOWLING	ARMY YOUTH	
	FACILITIES	CENTERS	(%)
0-10	13	19	9
11-20	28	15	12
21-30	54	39	26
31-40	72	48	34
41-50	13	32	13
OVER 50	7	14	6

TABLE 1-4

MAJOR MWR CONSTRUCTION

(\$ MILLIONS)

	MCA	NAF	TOTAL
FY 81	\$19.5	\$5.7	\$25.2
FY 82	30.9	33.3	64.2
FY 83	11.9	36.7	48.6
FY 84	78.9	77.2	156.1
FY 85	57.4	90.0	147.4
FY 86	58.1	155.7	213.8
FY 87	189.5	135.5	325.0

See Table 5-1, page 70, for graphic display of data.

CHAPTER I

ENDNOTES

1. US Department of the Army, Morale, Welfare and Recreation Financial and Personnel Management Report, pp. 5-17 (hereafter referred to as "DODI 7000.12").
2. "Almanac", Defense 84, September 1984, pp. 24 and 32.
3. "DOD Survey", Military Clubs and Recreation, March 1985, pp. 26-27.
4. DODI 7000.12, p. 15.
5. US Department of Defense, Department of Defense Directive Number 1015.6, p. 2 (hereafter referred to as "DOD 1015.6").
6. DODI 7000.12, p. 11.
7. Ibid.
8. Richard H. Ross, LTC, An Army Perspective of Nonappropriated Funds and the Morale, Welfare and Recreation Programs of the Department of Defense, p. 12.
9. John A. Wickham, Jr., GEN, White Paper 1983 - The Army Family, p. 3.
10. Ibid.
11. US Department of the Army, Army Morale, Welfare and Recreation - Fiscal Year 1982 Annual Report, p. 2.
12. Interview with Weldon W. Dickson, LTC, US Army Community and Family Support Center, Alexandria, 15 February 1985.
13. Ibid.
14. Ibid.
15. DOD 1015.6, p. (Encl 3).
16. Ross, pp. 5-6.
17. Wickham, p. 1.

CHAPTER II

DEPARTMENT OF THE ARMY MORALE, WELFARE AND RECREATION PROGRAMS

PURPOSE

In the United States, a nation possessed of the citizen soldier concept, and steeped in the traditions of self-determination and individual freedom, our leaders have always recognized the value of military forces having a high state of morale. In the last quarter of the twentieth century this requirement has been extended in recognition from a need of the volunteer force in combat to include the extended periods of peace now maintained by a large standing American force. It is often more art than science when you attempt to gauge the morale of a military force. While there are quantitative indicators, reenlistment rates, disciplinary actions, etc., they are not precise and can become clouded in the ambivalence of multiple variables. While a cost benefit analysis may be more easily applied to the development and procurement of a new weapons system, there are no such precise methods devised to gauge and quantify the impact of Army MWR programs.

However, the Army leadership recognizes, has almost always recognized, the importance of good and high morale to today's military. Secretary of the Army, John O. Marsh, Jr., and then Chief of Staff of the Army, General Edward C. Meyer captured the essence of the need:

Quality of life issues affect our ability to recruit, retain, train and maintain. They are vital to the contemporary Army.

Better living and working conditions not only improve the efficiency of mission performance but also improve the perception on service life in general. Our living and

working conditions are also an expression of the Nation's commitment to it's fighting forces.¹

A fresher observation from the current Chief of Staff of the Army, General John A. Wickham, Jr., continues this theme while adding readiness to the equation:

There is another dimension that is both significant and a point of self-interest to the Army. Our most important mission is to maintain the readiness of the Army in order to protect this great nation. That is our first task. But readiness is inextricably tied to soldiers' morale and discipline, and to sustaining their families' strength. Therefore, to the extent we can make those soldiers and families feel better about the Army and the support provided by the Army, then the better off will be the soldier, the Army, and the Nation.²

The Department of the Army has recognized that quality MWR programs can significantly contribute to the good feeling about themselves and their Army. As noted in Chapter 1, in compliance with public law, (Title 10, United States Code), DOD delegates the responsibility to create and maintain a quality MWR program to the individual service secretaries. The general purposes of such MWR programs are all encompassing and charge commanders to operate activities and services that are flexible to meet the unique environmental requirements, as well as, the social and economic environment. The scope and complexities of the Army MWR program are contained in the Department's published objectives:

Maintain among its personnel a high level of esprit de corps, job proficiency, military effectiveness, and educational attainment.

Promote and maintain the mental and physical fitness and well-being of DA personnel, primarily active duty military personnel.

Encourage DA personnel to use their time constructively and creatively by taking part in programs that help to develop and maintain motivation, talent, and skills which will help them to discharge their duties as responsible citizens.

Aid in the recruitment and retention by making service with the Army an attractive career.

Assist military personnel in adjusting from civilian life to a military environment upon entry into the Service.

Assist in providing a community support environment to DA personnel and their families. This is most important when military sponsors are on unaccompanied tours, or maneuvers, or involved in armed conflicts.

Create a vital, self-sustaining military community.

Provide programs that appeal to soldiers as members of their units. Reinforce unit cohesion and support the soldier's positive sense of identification with their units.^{3,4}

The above is a collection of clear statements that fully recognizes a responsibility toward the soldier, the military family and the Army family of units, for the provision of comprehensive MWR programs.

DEFINITIONS

Definition of several key terms, often used and frequently misunderstood terms, used in this study would be beneficial in the promotion of a common understanding. The DOD list of MWR definitions is at Appendix 1.⁵

- o Morale, Welfare, and Recreation (MWR) Programs. Mission support DOD 1015.6 actions, created at any level of DOD authority pursuant to and purposely designed for the comfort, pleasure, contentment, and mental and physical well-being of the service members, their dependents, and other authorized personnel.
- o Morale, Welfare, and Recreation (MWR) Activities. Those activities (exclusive of private organization) located on military installations or on property controlled (by lease or other means) by a Military Department or furnished by a DOD contractor that provide for the comfort, pleasure, contentment, and mental and

physical improvement of authorized DOD personnel including recreational and free-time programs, self-development programs, resale merchandise and services, or general welfare. MWR activities may be funded wholly with appropriated funds, primarily with nonappropriated funds, or with any combination of appropriated and nonappropriated funds.

- o Nonappropriated Fund Instrumentality (NAFI). An integral DOD organizational entity that performs a government function. It acts in its own name to provide or assist other DOD organizations in providing MWR programs for military personnel and authorized civilians. It is established and maintained individually or jointly by the heads of the DOD Components. As a fiscal entity, it maintains custody of and control over its nonappropriated funds. A NAFI is also responsible for the exercise of reasonable care to administer, safeguard, preserve, and maintain prudently those appropriated fund resources made available to carry out its function. With its nonappropriated funds, it contributed to the MWR programs of other authorized organizational entities when so authorized. A NAFI is not incorporated under the laws of any state or the District of Columbia, and it enjoys the legal status of an instrumentality of the United States.
- o Nonappropriated Funds. Cash and other assets received by NAFIs from sources other than monies appropriated by the Congress of the United States. Nonappropriated funds are government funds; they are used for the collective benefit of military personnel, their dependents, and authorized civilians who generated them. These funds are separate and apart from funds that are recorded in the books of the Treasurer of the United States.

It is important to note as reported in Chapter 1 and noted again in definition, the designation of an activity as a NAFI does not indicate that activity is funded wholly or even predominately by NAF. Most NAFI receive some APF support in the performance of its mission. Also almost all MWR programs, even when funded predominately from APF have a supporting NAFI which enables that activity to accomplish its mission in the MWR program.

CATEGORIES OF MWR

Army MWR activities are categorized into eight different groupings by the primary purpose of the activity, by the major characteristics and by the principal program supported by the NAFI, e.g., common service support, membership club and special interests, welfare and recreation programs of general interest.⁶ A summary is shown below. The complete and detailed categorization of MWR activities and supporting NAFIs is at Appendix 2.⁷

<u>CATEGORY</u>	<u>EXPLANATION</u>	<u>EXAMPLES</u>
I	Exchanges	PX, Service Station, Barber Shop
II	Other Resale/Revenue Sharing	Post Restaurant, Class VI, Audio
III	Military General Welfare and Recreation	Recreation, Sports
IV	Civilian Employee General Welfare and Recreation	Civilian Recreation and Welfare
V	Clubs	Officer, NCO, EN Clubs
VI	Other Membership	Flying, Scuba, Rod and Gun
VII	Common Support Service NAFI	Central Accounting, Administrative Support Branch
VIII	Supplemental Mission Services NAFI	Billeting, Chaplain

APPROPRIATED FUND SUPPORT AUTHORIZED

Specific authorization from APF or NAF by element of expense, by categorization of MWR activity are at Appendix 3.⁸

CONSTRUCTION OF COMMUNITY FACILITIES

DOD policy for the funding of community facilities is shown at Appendix 4.⁹

CHAPTER II

ENDNOTES

1. John O. Marsh, Jr. and General Edward C. Meyer, Posture Statement, pp. 38-39.
2. John A. Wickham, Jr., General, Guideposts for a Proud and Ready Army, p. 14.
3. DOD 1015.6, pp. 1-2.
4. US Department of the Army, Army Regulation 215-1, p. 6 (hereafter referred to as "AR 215-1").
5. DOD 1015.6, pp. 2-1 and 2-2.
6. AR 215-1, p. 7 and Table 2-1.
7. US Department of Defense, Department of Defense Directive 1015.1, pp. Encl 3-1 thru 3-4 (hereafter referred to as "DOD 1015.1").
8. DOD 1015.6, pp. 3-1 thru 3-17.
9. Ibid, pp. 4-1 thru 4-3.

"At Work, Man Makes His Living.
At Leisure, Man Makes His Life."¹

CHAPTER III

TWO DECADES OF TRANSFORMATION AND INNOVATION

CHANGE

In 1909 Charles Pegum thought that the world changed less since Jesus Christ than in the last thirty years; and perhaps some young doctor of philosophy in physics would now add that his science has changed more since 1909 than in all recorded time before.²

Thirteen years of continuous and direct involvement with the management of Army clubs and other MWR activities have given an appreciation for those sentiments. In fact the rate of change for MWR activities seems greater than that associated with science and seems to be accelerating. Every other year or so—now every year—sometimes it seems every month—some new concept, method or situation compels a new structure or MWR ideas and systems. Army MWR structure and management has indeed changed more since 1972 than in the preceding 196 years.

After World War II and prior to the emerging "Club Scandals" of the last 1960's Congressional oversight activity had been primarily limited in the MWR arena, limited to regulating and restricting military exchange, commissary and other resale MWR activities so as not to present unfair competition with civilian business.³ Testimony to the Senate Permanent Subcommittee on Investigations from 1969 into the early 1970's disclosed evidence of fraud, waste and mismanagement in certain clubs and exchanges from Vietnam and elsewhere. It was clear DOD, and the Army also, had not fulfilled their responsibilities

to regulate and control NAF's and their NAFI's.⁴ Congressional attention was focused on a previously ignored area, the relationship of military exchanges and other resale activities to the funding of MWR programs and activities.⁵ As will be discussed later in this study the Congressional focus and oversight on MWR activities has become a permanent fixture of military MWR programs. To this end closer supervision of exchange operations and MWR programs came about in 1977 with the establishment of the Nonappropriated Fund Panel of the Readiness Subcommittee of the House Armed Services Committee (now known as the Morale, Welfare and Recreation Panel).⁶

Congressionally reported defects in the administrative management of its MWR programs and activities produced a rapid response in Army MWR structure--the basic thrust of which has: made standardized departmental guidance and direction; expanded MWR manager development programs; the requirement commanders operate MWR programs within DA guidelines and greatly increased oversight.

Initially concentrating on Army clubs and package liquor operations first the US Army Club Management Agency, a field operating agency of the Deputy Chief of Staff for Personnel, was established in 1973. Subsequent Congressional review, while laudatory of the Army's intent, was critical of the agency's being structured with APF staffing and funding to provide control and oversight to NAF activities. The agency was disavowed and disestablished in late 1974 and its responsibilities assumed by the establishment under the Adjutant General Center of the US Army Club Management Directorate. The Directorate's role was enlarged in 1979 to encompass other Army NAF resale activities and was redesignated the US Army Club and Community Activities Management Directorate. Staffing was and continues to be predominately NAF.

DIRECTION

By 1980 philosophy of MWR operations and management took a quantum move toward more centralized direction when the Vice Chief of Staff of the Army established the Army Morale, Welfare and Recreation Review Committee (MWRRC) chaired by TAG with four-star major command and Sergeant Major of the Army membership. The committee, meeting semi-annually, was to assist in MWR policy formation, develop MWR program and NAF budget guidance, prioritize NAF major construction and review MWR APF and NAF budgeted execution.⁷ Form followed function when in 1982 the MWRRC endorsed self-sufficiency of Category III MWR operating programs through the use of authorized APF and implementation of selected usage fees and the US Army Club and Community Activities Directorate is restructured in October 1983 and renamed on 1 February 1984 as the Business Operations Directorate of TAGO with proponency for the fiscal operation of most Army revenue generating MWR activities.

Self-sufficiency was tested successfully in FY 83 and made mandatory for Army-wide implementation in FY 84. During 1984 Training and Doctrine Command installations evaluated the merits of the installation (single) MWR fund concept. All MWR activities on an installation except the exchange, post restaurants and civilian welfare and chaplain funds were consolidated.⁸ The single fund Installation Morale, Welfare and Recreation Fund (IMWRF) field test produced financial results, soldier and manager support sufficient to prove the concept and cause general officer recommendation that IMWRF be approved for Army-wide implementation.⁹

Bringing together the Army's commitment to improving Army quality of life for the Army family, the Army again realigned by establishing the US Army Community and Family Support Center (USACFSC) on 23 November 1984. USACFSC

assumed all of TAG's MWR functions and responsibilities. USACSF is charged with bringing about desired changes in community life management to include major new MWR construction and contracting efforts.¹⁰

RESULTS

Self-sufficiency can, by its philosophy, scope and intent, be described as a tool in the drive to accumulate money for MWR capital improvements. The installation MWR Fund (IMWRF) is a compatible and augmenting concept designed to pool under local control installation MWR money to finance local capital purchases and minor construction, or at some installations, perhaps, to fund a portion or all of their major NAF construction needs.

The principal goal of Army MWR self-sufficiency was to make the Army's share of the Army and Air Force Exchange Service (AAFES) distributed earnings available for NAF major construction. The Army's share of the distribution is based on troop strengths and averages about 57 percent of the total AAFES distribution. Distribution to the Army was \$61.1 million in FY 83 and \$65.6 million in FY 84.¹¹ The distribution is another income entry to the head-quarter level Army Morale, Welfare and Recreation Fund (AMWRF), a category III NAFI. These funds have, since FY 83, been fully dedicated to major NAF construction, a utilization permitted by self-sufficiency.

AAFES declared total dividends of \$11.5 million in 1983 and \$111 million in 1984. (The Army and AAFES operate with different start and end dates for their respective fiscal years). Dividends are projected to be \$113 million in 1985; \$117 million in 1986; \$126 million in 1987; \$133 million in 1988; and \$141 million in 1989.¹²

In September 1982 the Secretary of the Army approved full programmed installation of slot machines at overseas clubs and Armed Forces Recreation Centers. The program, known as the Army Recreation Machine Program, has a

mandated 93 percent payback. Installation is scheduled for completion in June 1985 with machines in operation in Europe, Panama and the Far East. To date 4,600 machines are installed. The Army Recreation Machine Fund (ARM) had net incomes of \$1.7 million in FY 83 and \$16.2 million in FY 84.¹³ Projection is that with complete installation and a full year's operation net income will be \$25 million per annum. ARM earnings are reserved to MWR capital expenditures. Those earnings are distributed equally between the installation/community where the machines are located, the major command, and Headquarters, Department of the Army.¹⁴

Package store net incomes in the United States, the Far East and USAREUR Class VI have, in recent years, been ever more restricted in distribution. Funds are shared between the Installation Morale Support Fund (IMSF) and the membership clubs. The MWRRC established a minimum distribution of 35 percent to the IMSF for FY 82; 40 percent for FY 83; 40 percent for FY 83; 40 percent for FY 84, with the added distribution to the membership clubs was limited to common support expenses and the documented cash needs for Capital Purchase Minor Construction (CPMC) items.¹⁵ Net income in package store operations in FY 83 was \$32.8 million down from the \$36.5 million in FY 82. The FY 84 distribution declined another \$8.1 million to \$23.1. The program to deglamorize alcohol, the shift in consumer tastes from dark expensive to lighter, lesser expensive products, and commercial competition may further decrease sales and package operation net incomes.¹⁶ The shift in distribution toward MWR programs supported by the IMSF will and should continue. That emphasis enhances the individual installations' ability to generate dollars which should be applied to the construction backlog.

The final leg of MWR self-sufficiency is the collection of Army and command actions to increase APF authorized by DOD Directive 1015.6 and Army

Regulation 215-1. These management initiatives are basically aimed at documenting and programming as much as feasible to the authorized level of support with APF through the Operation and Maintenance Army (OMA) base operations funds for the clearly defined mission of the "S" account, community and morale support activities. By far the largest users of APF among MWR activities are the sports, physical fitness and libraries activities which are closely tied to readiness.¹⁷ "S" account funding in FY 83 was \$221.5 million and in FY 84 \$254.7 million. Summary of "S" account programmed and expended is shown at Table 3-3. Summary of APF support to Army MWR programs for FY 84 is shown at Table 3-3. APF support for FY 84 increased by \$51.3 million to \$462.6 million.¹⁸ Fifty-one million dollars of that increase is in the MCA construction of MWR facilities.

The financial and management initiatives designed to "dig" Army MWR activities out of dilapidated and aging facilities is working. Before FY 82 only about \$7 million was available for major NAF construction.¹⁹ Major NAF construction approved and funded in FY 82 was \$33.3 million, \$36.7 million in FY 83, \$77.2 million in FY 84, and the MWRRC has programmed \$90 million and \$155.7 million for major NAF construction in FY 85 and FY 86 respectively.²⁰

There are no guarantees of the amount of APF that will be appropriated for MWR MCA construction hereto the Army has been doing better in gaining Congressional support to finance a portion of the \$1.9 billion MCA MWR backlog.²¹ The Army was successful in obtaining \$78.9 million in MCA for FY 84 and \$57.4 million for FY 85.²² This compares with \$11.9 million MCA in FY 83.

So the response to the observer's question, "Is progress real?" is "In Army MWR, yes." Yes, with qualifications. It is not a vain or traditional boast of the current crop of executive leadership. Army MWR facilities and the supported MWR programs are being renewed at a six-fold rate over just three years ago. However, the asp of reality is that at the present rate even

if no existing MWR facilities ages or wears it would take 15 years or more to bring to present our soldiers and their families state-of-the-art facilities featuring state-of-the-art program.

If federal assets of APF and NAF funding are not adequate to reasonably resolve the need, would civilian commercial financing through monetary loans or commercial contracting be prudent or feasible?

TABLE 3-1

	ARMY MWR ACTIVITIES BY CATEGORY AND GEOGRAPHIC REGION			
	TOTAL	CONUS	EUROPE	PACIFIC
Installation*	141	94	39	8
Category II	77	66	2	9
Category III	132	90	39	3
Category V	265	155	68	15
Category VI	117	61	41	14
Category VII	131	115	10	6
Category VIII	191	129	51	11

SELECTED EXAMPLES

Officers Club Funds	97	68	23	6
NCO Club Funds	94	62	26	6
Community Club Funds	47	25	19	3
Package Funds	74	66	0	8
Billeting Funds	109	70	35	4
Guest House Funds	18	16	0	2
Armed Forces Rec Centers	6	1	1	4
Admin Support Branches	44	28	10	6
Army Rec Machine	1	1	0	0
USAREUR Class VI	1	0	1	0
EUSA Locker Fund	1	0	0	1

*With MWR/NAF Activities

TABLE 3-2

SUMMARY OF "S" ACCOUNT (OMA - BASEOPS)
(\$ millions)

	PROGRAMMED	EXPENDED
FY 79	\$86.9	\$86.0
FY 80	105.0	105.0
FY 81	168.5	152.7
FY 82	179.7	201.9
FY 83	202.2	221.5
FY 84	232.3	254.7
FY 85	253.9	NA

TABLE 3-3

SUMMARY OF APP SUPPORT TO MMR PROGRAMS
FY 84 (\$m)

Cost/Expense Captions	Package Stores	ARM & Other MSP Resale	AFRCs & Programs	Member-ship Clubs	Other Membership Associations	Common Support Services	Supplemental Mission Services	FY 84 Total	FY 83 Total	Inc (dec)
Military Personnel	.1	-0-	22.6	13.3	.4	6.6	4.0	47.0	55.1	(8.1)
Civ Pers (sal & wages)		-0-	108.5	4.6		11.3	3.3	127.7	119.4	8.3
Civ Pers (benefits)		-0-	16.4	.7		1.6	.4	19.1	17.4	1.7
Utilities	.6	-0-	29.4	12.5	1.0	.7	4.9	49.1	47.5	1.6
Rents		-0-	1.0	.2		.1	.3	1.6	1.2	.4
Communications		-0-	.6	.1			.1	.8	.7	.1
Maint & Repair Equip		-0-	1.3	.4	.1		.1	1.9	6.5	(4.6)
Maint & Repair Fac	.5	-0-	20.9	8.8	.5	.6	2.8	34.1	29.8	4.3
Supplies		-0-	37.8	2.7		.1	.7	41.3	32.7	8.6
Equipment		-0-	9.1	.7		.1	.1	10.0	6.9	3.1
Transportation Things	1.4	-0-	1.1	4.4		.1	.1	7.1	7.8	(.7)
Transportation Persons		-0-	6.1	.6		.2		6.9	6.8	.1
Reimbursed Common Serv.		-0-								
NAP Depreciation		-0-	37.2	3.3	.1	2.6	1.4	44.6	37.0	7.6
Other Contractual Serv.		-0-	7.4	2.5	.2	1.0	.4	11.6	14.7	(3.1)
All Other Expenses	.1	-0-								
Total Expenses	2.7	-0-	299.4	54.8	2.3	25.0	18.6	402.8	383.5	19.3
Construction of Fac Equipment (Investment)			58.9	.1				58.9	7.9	51.0
			.8					.9	.6	.3
Total FY 84	2.7	-0-	359.1	54.9	2.3	25.0	18.6	462.6	392.0	70.6
Total FY 83	2.9	-0-	289.2	59.8	2.2	19.9	18.0	392.0		
Inc (dec)	(.2)	-0-	69.9	(4.9)	.1	5.1	.6	70.6		

(NOT APPLICABLE TO APPROPRIATED FUND SUPPORT)

CHAPTER III

ENDNOTES

1. Dickson, interview, anonymous quote.
2. Will and Ariel Durant, The Lessons of History, p. 12.
3. Ross, p. 40.
4. Ibid, pp. 40-41.
5. Ibid, p. 40.
6. Rep. Dan Daniel, "A Time of Progress and Change, Army Host, 18 October 1984, pp. 12-13.
7. US Department of the Army, Army Morale Support Fund annual Report—Fiscal Year 1981, p. 3.
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9. "Test Group Recommended Single Fund Expansion, Decision Pending," Army Host, 18 October 1984, pp. 1, 32-34.
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11. DODI 7000.12, p. 60.
12. Ibid, p. 205.
13. Ibid, p. 21.
14. Interview with Mr. Keith A. Craig, US Army Community and Family Support Center, 12 April 1985.
15. Annual Report Fiscal Year 1983, p. 6.
16. DODI 7000.12, p. 19.
17. Annual Report Fiscal Year 1983, p. 5.
18. DODI 7000.12, p. 11
19. Annual Report Fiscal Year 1983, p. 9.

20. Dickson Interview.
21. Ibid.
22. Annual Report Fiscal Year 1983, p. 11.

"In war, morale considerations make up three-quarters of the game: the relative balance of manpower accounts only for the remaining quarter."¹
NAPOLEON

CHAPTER IV

CONTINUING CHANGE

CURRENT ENVIRONMENT

In the mid-1980's several trends in the national political arena seem evident: reduction of federal support for state or local social and enrichment programs; transitioning from a manufacturing to a service economy; the growing dependence on technology; a shift to more stringent sanction for socially aberrant behavior; a growing sense of a need for a national reinvigoration to meet the challenges of foreign military and commercial competition; the emergence of multiple technique to stimulate public and private productivity; the increase of private industry providing public services with public funding—the kaleidoscope of change seems endless.

For the Army of today, and for the foreseeable tomorrows, productivity equates to readiness.² Army MWR can and does contribute to readiness, the Army's most important mission, by adding to a high level of esprit de corps, physical and mental fitness and skill or knowledge attainment. The current Army theme of Leadership umbrellas when it is noted that a value component of leadership is caring. Caring encompasses fostering as a leader the environment where soldiers and their families are challenged, understanding their contributions to make a difference and where, as a result, they feel good about themselves and their Army service.³ Soldiers and families who feel that

self-pride stay. MWR programs can contribute and influence retention as noted in Chapter II.

As the Army is a family of soldiers and individual family members it is a family of units and a family of components totaling over 3.4 million people.⁴ Today's active Army consists of 785,806 soldiers; the Guard and Reserve encompass 951,713 soldiers, augmented by 435,601 APF and 41,067 NAF civilian employees. The demographics of the Army reflects the culture it services in many respects: over 52 percent is married, 75 percent of the officer corps and 50 percent of the enlisted.⁵ It is a mouthful institution: 61 percent of the enlisted force is under 26 years of age.⁶ Eighty-five percent of the active force is enlisted, within their ranks at grades E-05 and below is 60 percent of the active force.^{7,8} When the spouses, children, dependent parents and others associated with the active forces are considered the supported population of the active force is multiplied by a factor of one and one-half.⁹ There are 408,035 spouses, 621,804 children, and 59,211 parents and other dependents. See Tables 4-1 and 4-2.

While we may invite the citizen to enlist and see the world, a surprising 67 percent of the active Army serves in the United States and its territories.¹⁰ Twenty-eight percent are stationed in Western and Southern Europe, four percent in East Asia and the Pacific.

To these later should go the priorities in MWR construction. For it is they who must be the most committed and at the highest state of readiness. It is they who by their presence are foregoing the benefits of their homeplace, they who are most deserving of the assistance MWR programs can provide in the assistance of the adjustments soldiers and their families must make in adjusting from civilian life to the Army environment. Of the services, the Army is most sensitive to that need and expended two-thirds of its MWR construction dollars overseas.¹¹ Table 4-3 displays where the active Army serves.

INDUCEMENTS TO CHANGE

The experience of the past leaves little doubt that every economic system must sooner or later rely upon some form of the profit motive to stir individuals and groups to productivity.¹²

In May of 1984 AAFES executed a contractual arrangement with the civilian enterprise Burger King. Burger King has been so named the "official fast food" of the Army and the Air Force, one that could open as many as 185 restaurants on Army and Air Force bases worldwide. The deal is the largest single franchise agreement in Burger King's 30-year history, and could generate about \$400 million in revenue by 1988.¹³ The Burger King outlets will be operated by AAFES. AAFES will pay Burger King \$15,000 for each franchise and six percent of the gross sales as royalty and an advertising fee.¹⁴ the inducement for AAFES is the ability to merchandise to the soldier and the family, while increasing sales and profitability beyond the scope of AAFES own Burger Bars.

Inducement to Burger King (and other fast food giants) as a purveyor of hamburgers, french fries and soft drinks is the opening of a vast untapped market frontier.

There's practically no place left for more fast-food restaurants in the private sector. The military is a new market they're trying to get into. They feel the market is so saturated on the outside they're going institutional. . . . There's practically no place left in the private sector. Military is a new market. Therefore to the soldier and the family it is a touch of home to the vast and younger majority who grew up on fast food.¹⁵

The AAFES five-year agreement follows similar actions in DOD wherein a name brand outlet are in operation at Camp Pendleton, Norfolk, Pearl Harbor and Governors Island. AAFES expects to benefit from the same levels of sales increases and profitability the Pearl Harbor outlet experiences—253 percent growth in sales and a 200 percent increase in contributions to MWR programs.¹⁶

AAFES food prices are expected to be ten percent below those prevailing off-post. ("Market Basket surveys of exchange and commissary price savings compared to prices prevailing off-post range between 20-22 percent and 20-35 percent, respectively). It has been estimated the AAFES annual gross sales per unit may reach \$2 million.¹⁷ Additional dividends to each installation it is estimated will be increased by about \$100,000 per annum.¹⁸

Burger King currently has operations at Schofield Barracks, HI; Camp Casey, Korea; Awsbach, Germany; as well as Pearl Harbor, HI; and Governors Island, NY. By one measure the Burger King/AAFES contract is an example of military MWR doing well in contracting in the market place. Soldiers are not mushrooms to be hidden away until weeded, hidden while the commander provides for his needs. Soldiers are citizens of these United States, citizens with wants and desires interchangeable with those of their civilian counterparts. So when they go to Burger King for dinner, our soldier likes to go to Burger King for dinner. With this addition to the environment of the soldier and the family alone AAFES is making a significant contribution to soldier morale.

While a form of contracting franchising as practiced by AAFES to date is using AAFES monies to capitalize. There are other traditional ways to capitalize beyond pay-as-you-go.

THE WORLD OF COMMERCE

The men who can manage men manage the men who can manage only things, and the men who can manage money manage all,

* * *

So the bankers . . . having studied the fluctuations of prices, they know that history is inflationary, and that money is the last thing a wise man will hoard.¹⁹

There is a considerable potential for increased MWR earnings based on contract type operations, in part because of the large captive audiences which many Army installations represent. This fact was not lost on senior Army leadership. Burger King proves a potential for contracting in a large institutional market. Increased sales of five fold and profitability of more are commendable goals for military MWR planners.

In January 1985 the US Army Community Family Support Center solicited proposals for a civilian consulting firm to develop a statement of work for either hospitality/hotel chains or other entrepreneurs to establish hotels on Army installations.²⁰ The contract was awarded to Hotel Planning Associates, Inc. (HPA). Under the hotel initiative HPA performed a market analysis of 16 CONUS Army installations. The Army charged HPA to include in their evaluation plan impact on the local community, recommendations on options of pools, physical fitness facilities, food operations, child care facilities and resale outlets. Stated Army preferred method of operation is by purchased franchises. However, offers of concession operations or other feasible alternatives were to be considered.²¹

The hotel initiative is a response to two powerful motives: increased service and ambience available for the Army family in convenience and familiar food and lodging facilities; the potential of higher profit to support other MWR programs or additional MWR capitalization. The Army designed the hotel initiating to fulfill multiple needs and purpose by serving as both community center and temporary lodging facilities for the mobile Army population.²² The 16 installations HPA was to study all had guest house construction planned during the 1986-1988 timeframe.²³ By catering to Army transient personnel the initiative would:

- Meet installation guest house needs.
- Provide recreational housing (leave and pass).

- Support other unaccompanied transient (TDY).
- Support family initiatives through the provision of child care, fitness and swimming facilities, and food operations.

The Army's preferred method of financing construction and operation under a franchise type contract where the contractor is granted the land and finances the construction would allow the backlog of Army MWR NAF construction requirements to be acquired more quickly. The Army, like with AAFES and Burger King, would pay a one time franchise fee, as well as, national advertising fees. The contractor would gain a negotiated return on his investment from the facilities income. The Army would pay operations costs from the Army's share of the income. The Army's net income would go into the installation's IMSF to support other MWR programs.²⁴

The HPA preliminary report indicates that commercial hotel construction is justified by market analysis on ten of the 16 surveyed installations. The Army plans to advertise a first phase contract in June or July 1985; with contract award for six hotels in September.²⁵ The clear hope and probable outcome is that several major nationally known hotel chains will bid for the contracts. Commercial hotel operations in CONUS are much like fast food operations, the best locations are gone, and the military market represents a sizeable and attractive market.²⁶

The potential operational benefits to the installation commander and the Army MWR manager of such a contractor furnished seem clear:

- Save APF and NAF dollars with the operation of a single multiple purpose facility.
- Save NAF dollars with contractor financed construction.
- Follow national industry standards, improve service standards.
- Make Army installation little more like the rest of the United States.

Additionally such a multipurpose facility could further support deglamorization of alcohol with the increased potential to emphasize food operation of various types, such as fast food, formal dining, family dining, and other family type activities in a wholesome community environment.

The potential for expanding, improving and professionalizing Army MWR programs with contracting of selected MWR functions with national brand companies is great. The inducements of improved service, improved support and improved ability to support with improved profitability are compelling contracting efforts and initiatives. The Army must be prudent and make haste carefully. While "borrowing" may be as American as apple pie Army MWR is not encumbered with any debts today. Any "borrowing" whether through commercial loans or contractor financing construction must be within the Army market ability to pay. National brand franchise operations on the Army installation may reduce patronage and support of established installations below levels necessary for continued operation. We must remain ready to act as required in our stewardship and management of the total installation MWR program. The ability to increase project construction is great, but we must insure that any such contracting program is soundly managed and is used to develop the most needed projects. And finally MWR managers must recall "There is no free lunch." What Army MWR acquires must be paid for--the question "Pay now, pay later." And if we opt to pay later under some contracting agreement is the total bill reasonable and fair.

There are many changes underway or planned that may greatly alter Army MWR activities and their supporting funding levels. If the changes are justified and will lead to effective and efficient delivery of leisure and recreational services to the Army family we should support them. At the same time we must always remember how these systems developed and the reasons for their current operating problems and methods. Change for changes sake, or

that would harm the best current or future interest of the Army family should be resisted. Contracting national fast food brands appears to be a good program and should continue. In 1984 Army MWR activities produced a net income of \$59.4 million. This MWR share of Burger King profits is projected to increase that net income by 30 to 40 percent.²⁷

Contractors for construction and franchising of installation hotels as a program which also appears to have a positive potential for enhancing Army MWR activities. It should be implemented on a controlled basis, closely monitored and greatly expanded if it fulfills the promise improving MWR programs through innovative operations and construction techniques.

TABLE 4-1

ACTIVE ARMY FAMILIES

	<u>OFFICER</u>	<u>ENLISTED</u>	<u>TOTAL</u>
Active Duty	105,674	669,364	775,038
Spouses	78,539	329,497	408,036
Children	124,764	479,040	621,804
Parents/Others	8,742	50,469	59,211
Total Family Members	212,048	877,002	1,089,050

74.3% of Army Officers Are Married

49.2% of Army Enlisted Are Married

THE ARMY IS 52.6% MARRIED!

TABLE 4-2

US ARMY - HOW OLD THEY ARE			
	<u>Officer</u>	<u>Enlisted</u>	<u>(% Enlisted)</u>
20 & less	36	162,287	24.2
21-25	16,208	247,730	37.0
26-30	26,513	126,887	19.0
31-35	23,832	72,017	10.8
36-40	20,243	41,747	6.2
41-45	10,680	14,465	2.2
46-50	4,840	3,441	0.5
Over 50	1,598	496	0.1
Unreported	<u>1,325</u>	<u>246</u>	<u> </u>
	105,275	669,316	

TABLE 4-3

US ARMY ACTIVE FORCES

Officers	101,827
Enlisted	676,573
Academy Cadets	<u>4,406</u>
	785,806

CONUS, US STATES & TERRITORIES	522,324 - 66.5%
WESTERN & SOUTHERN EUROPE	221,233 - 28.2%
EAST ASIA & PACIFIC	31,249 - 4.0%
AFRICA, NEAR EAST & SOUTH ASIA	1,569 - 0.2%
OTHER WESTERN HEMISPHERE	9,302 - 1.2%
EASTERN EUROPE	<u>70</u> - <u> </u>
	785,806 - 100%

CHAPTER IV

ENDNOTES

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23. Ibid., p. 2.
24. Ibid., p. 2.
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APPENDIX 1

DEFINITIONS

1. DoD Personnel. Military personnel, including retired members, reservists on active or inactive duty for training, and DoD civilian employees paid from appropriated and nonappropriated funds.

2. Elements of Expense. Those specific types of resources listed in enclosure 3, consumed in or applied to MWR activities in the execution of MWR programs.

3. Executive Control and Essential Command Supervision. Those managerial functions of planning, organizing, directing, coordinating, and controlling the overall operations of MWR programs and activities; consists specifically of program, fiscal, logistical, and other management functions that are separate from the daily working level activities and tasks of MWR programs. Specifically excluded from this definition is the direct operation of individual MWR programs and activities.

4. Morale, Welfare, and Recreation (MWR) Activities. Those activities (exclusive of private organizations as defined in DoD Instruction 1000.15 (reference (g)), located on military installations or on property controlled (by lease or other means) by a Military Department or furnished by a DoD contractor that provide for the comfort, pleasure, contentment, and mental and physical improvement of authorized DoD personnel including recreational and free-time programs, self-development programs, resale merchandise and services, or general welfare. MWR activities may be funded wholly with appropriated funds, primarily with nonappropriated funds, or with any combination of appropriated and nonappropriated funds.

5. Morale, Welfare, and Recreation (MWR) Facility. A building, structure land area, or other real property improvement primarily used for MWR purposes.

6. Morale, Welfare, and Recreation (MWR) Programs. Mission support actions, created at any level of DoD authority pursuant to this Directive and purposely designed for the comfort, pleasure, contentment, and mental and physical well-being of the service members, their dependents, and other authorized personnel.

7. Nonappropriated Fund Instrumentality (NAFI). An integral DoD organizational entity that performs a government function. It acts in its own name to provide or assist other DoD organizations in providing MWR programs for military personnel and authorized civilians. It is established and maintained individually or jointly by the heads of the DoD Components. As a fiscal entity, it maintains custody of and control over its nonappropriated funds. A NAFI is also responsible for the exercise of reasonable care to administer, safeguard, preserve, and maintain prudently those appropriated fund resources made available to carry out its function. With its nonappropriated funds, it contributes to the MWR programs of other authorized organizational entities when so authorized. A NAFI is not incorporated under the laws of any state or

the District of Columbia, and it enjoys the legal status of an instrumentality of the United States.

8. Nonappropriated Fund Instrumentality Employee. A person employed by a NAFI and Compensated from nonappropriated funds.

9. Nonappropriated Funds. Cash and other assets received by NAFIs from sources other than monies appropriated by the Congress of the United States. Nonappropriated funds are government funds; they are used for the collective benefit of military personnel, their dependents, and authorized civilians who generated them. These funds are separate and apart from funds that are recorded in the books of the Treasurer of the United States.

10. Sale and Resale of Merchandise and Services. Pertains to the acquisition and resale of goods and services by MWR activities or concessionaires. Specifically excluded from this definition are activity fees and charges.

CATEGORIZATION OF NMR ACTIVITIES AND SUPPORTING NAVIS

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF NMR ACTIVITIES
I. Armed Services	Includes the functions of providing through the Components' Exchange Systems reimbursable goods and services to authorized patrons, and funds to support other designated morale programs.	Headquarters level Exchange Fund Retail store Soda fountain & snack bar Beer bar Gasoline filling station Car wash Restaurant & Cafeteria Barber shop Beauty parlor Automobile garage & service station Laundry Watch repair shop Radio & TV repair shop Tailor shop, including dry cleaning & pressing Shoe repair shop Photographic studio Vending & amusement machines Grocery section (when specifically authorized) Taxicab & bus service Newstands
II. Other Resale & Revenue-Sharing	Includes the functions of providing, other than through exchanges, reimbursable goods and services to authorized patrons, and funds to support other designated morale programs.	Civilian Dining/Vending and other Resale Activities and Services Academic book store Stars and Stripes Audio/Photo (Resale) Class VI Stores/alcoholic beverage package stores

CATEGORIZATION OF WAR ACTIVITIES AND SUPPORTING WARFARE

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF WAR ACTIVITIES
III. Military General Welfare & Recreation (MGR)	Includes those functions of providing welfare and recreation programs for military personnel. Category IIIA WARFARE provides support to those WAR activities in Category IIIB. Category IIIB activities are generally administered by special services, recreation directors, or officers. Category IIIB activities will not be established, organized, or operated as WARFARE.	III.A Headquarters Level MGR & R Fund Major Command Level MGR & R Fund Installation Level MGR & R Fund Company/Unit Level MGR & R Fund Inmate Confinement Welfare Fund III.B. GROUP 1 Category IIIB Libraries Sports/Athletic-Self Directed & Unit Level/Intramural Recreation Centers/Rooms Shipboard & Isolated/Deployed Unit Motion Pictures (Free Admission) Armed Forces Professional Entertainment Overseas Unit Level Programs/Activities GROUP 2 Arts & Crafts (including Automotive) Entertainment (including Music & Theatre) Outdoor Recreation Swimming Pools Youth Activities Sports-Competitive (above Intramural) Child Care Centers Stables Marinas/Boating Bowling (6 lanes or less) GROUP 3 Bowling (more than 6 lanes) Motion Pictures (paid admission) Bingo Golf Skating Rinks Pro Shops Snack Bars operated by Recreation Program Shoot/Trip Ranges Armed Forces Recreation Centers Cabin/Cottage Amusement Machines
IV. Civilian Employee General Welfare & Recreation	Includes those functions of providing welfare and recreation programs for civilian personnel.	Headquarters Civilian Employee General Welfare & Recreation Fund Major Command Civilian Employee General Welfare & Recreation Fund Installation Civilian Employee General Welfare & Recreation Fund Civilian Welfare/Recreation Activities

CATEGORIZATION OF MAR ACTIVITIES AND SUPPORTING MAFIs

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF MAR ACTIVITIES
V. Open Messes	Includes the function of providing messing including essential feeding, where required, social programs, services, and facilities to membership groups and support of protocol and official functions.	Headquarters level military Open Mess Fund Major Command level military Open Mess Fund Installation Club Management Office Commissioned Officers Mess Open Senior/Staff NCO/CPO Mess Open NCO/PO Mess Open Enlisted Mess Open Consolidated Mess Open Food Bar Catering Bingo Vending Machines Amusement Machines Swimming Pools Tennis/All Purpose Courts ¹
VI. Other Membership Associations	Includes the function of providing morale programs, services and facilities (other than open messes) to special interest groups. Merchandise is sold only to members and is directly related to the purpose and function of the membership association.	Headquarters Membership Association Fund Major Command Membership Association Fund Aero (Flying) Amateur Radio Boating/Sailing Horseback Riding Community TV Motorcycle Parachute/Sky Diving Scuba/Diving Red and G-2
VII. Common Support Services MAFIs	Includes all MAFIs performing consolidated support services functions such as accounting, procurement or personnel services for more than one category of MAFIs. Does not include staff management functions at installation, major command, or Service headquarters levels, the costs of which are allocated to the benefiting categories.	Other membership associations may be authorized by the Sub Components provided that facilities and activities do not duplicate those in Category IIIB. Headquarters level Common Support Services Fund Major Command level Common Support Services Fund Installation Common Support Services Fund

¹ Existing and underconstruction only. Future swimming pools and tennis courts will be in Category III.

CATEGORIZATION OF MMR ACTIVITIES AND SUPPORTING MAFIs

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF MMR ACTIVITIES
VIII. Supplemental Mission Services MAFIs	Includes all MAFIs providing MMR services as adjuncts to training, health billeting, or other mission support programs. (Note: Costs of mission support programs and personnel assigned to these programs will be reported IAW DoD Instruction 7000.12 (reference (1)) only to the extent that they relate directly to the MAFI of its functions. For example, costs of operating billets will not normally be charged to Category VIII. Billeting fund activities are limited to those that supplement the appropriated fund program supporting the billeting mission activities, for example, provision of room maid service. However, billeting personnel who are assigned collateral duty of collecting, accounting or disbursing of MAF should be reported. Similarly, if a part of a billet or small building is provided as a facility for use of chambermaids or other billeting fund employees, utility and other billeting fund employees, utility and other cost related to this MAFI function should be reported.)	Headquarters Level Supplemental Mission Fund Academy Dining Hall Supplemental Mission Fund Billeting/Meowing (includes temporary lodging facilities & guest houses) Supplemental Mission Fund Thayer Hotel Supplemental Mission Fund Cadet Awards Supplemental Mission Fund Chaplain Religious Fund Dependent School Supplemental Mission Fund In-Flight Services Supplemental Mission Fund Military Museum/Historical Supplemental Mission Fund Vehicle Registration Supplemental Mission Fund Animal Care Fund Voluntary Contribution Supplemental Mission Fund Academic Support Supplemental Mission Fund Commandant's School Supplemental Mission Fund Special Learning Center Supplemental Mission Fund Cadet Restaurant Athletic Association Supplemental Mission Fund U.S. Disciplinary Barracks Supplemental Mission Fund Cadet Publications Supplemental Mission Fund

NOTE: (THIS LIST OF MMR ACTIVITIES IS EXPLANATORY ONLY AND IS NOT INTENDED TO BE ALL INCLUSIVE.) DoD Components may approve additional MMR activities in appropriate categories as required; management of MMR activities will be consistent with their categorization. Open messes (Cat. V) may manage alcoholic beverage package stores (Cat. II) as separate fiscal entities and exchanges (Cat. I) and may manage paid-admission motion pictures (Cat. IIIB) provided that separate financial records are maintained. Heads of DoD Components may authorize similar management arrangements, as necessitated by efficiency or economy, provided that resources are allocated and financial operations are reported in accordance with DoD categorization.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MMR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
A. MILITARY PERSONNEL 1. <u>Permanent Assignment Utilization</u>: Applies to active duty military personnel assigned and utilized on a full-time, permanent basis, to perform executive control and essential command supervision over MMR programs and activities. Also includes active duty military personnel assigned and utilized on a full-time permanent basis to perform operational duties and functions in MMR activities as defined in DoD Instruction 1015.4 (reference (h)). Does not include trainees and unassigned personnel. 2. <u>Temporary Assignment Utilization</u>: Applies to active duty military personnel assigned and utilized on a temporary assignment basis to perform duties and functions primarily associated with MMR programs and activities. Such military personnel standard costs are charged to an operating activity during the period of their temporary assignment to an MMR activity as authorized in reference (h). 3. <u>Additional and Collateral MMR Duties</u>: Applies to active duty military personnel who are assigned duties involving MMR functions on an additional and collateral duty basis. These duties will be in addition to the member's primary duty assignment and may be of an executive control and essential command supervision or operational nature (as defined in reference (h)).	ALL: As prescribed in DoD Instruction 1015.4 (reference (h)). ALL: Authorized for no more than 90 days under conditions outlined in reference (h). NOTE: Enlisted personnel may be employed during nonduty hours by MAFIs as part-time MAF-paid employees in accordance with Chapter 2, DoD 1401.1-N (reference (1)). ALL: Authorized.	ALL: Not applicable. ALL: Not applicable. ALL: Not applicable.

¹ MMR activities are categorized in DoD Directive 1015.1 (reference (k)).

**AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MMR ACTIVITIES**

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
B. CIVILIAN PERSONNEL		
1. <u>Assignment and Utilization</u> : Applies to civilian employees, paid from both appropriated and nonappropriated funds, who are assigned on a full-time permanent basis to MMR operating activities to perform executive control and essential command supervision and operational duties primarily associated with MMR programs and activities.	ALL: Authorized as prescribed in DoD Directive 1015.4 (reference (h)).	ALL: Authorized.
2. <u>Additional and Collateral MMR Duties</u> : Applies to appropriated fund civilian employees who are assigned duties involving MMR functions on an additional or collateral duty basis. These duties will be in addition to the civilian employee's primary duty assignment and may be of an executive control and essential command supervision or operational nature (as defined in reference (h)).	I: Not authorized. II, III, IV, V, VI, VII, VIII: Authorized.	ALL: Not applicable.
3. <u>Civilian Personnel Office (CPO) Assistance or Administration</u> : Relates to CPO support for:		
a. Technical advice and counsel that may be provided by the CPO to assist in the personnel management of employees paid with nonappropriated funds.	ALL: Authorized. May be provided to NAFIs employing nonappropriated fund employees and to MMR activities utilizing nonappropriated fund personnel.	ALL: Not authorized.
b. Day-to-day personnel administration of employees paid with nonappropriated funds to include, but not limited to, recruitment placement, position classification, salary and wage administration, training, personnel records maintenance, employee relations, and related personnel matters.	ALL: Authorized when no additional incremental appropriated fund costs are incurred.	ALL: Authorized.

**AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MWR ACTIVITIES**

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY	
	APPROPRIATED	NONAPPROPRIATED
C. TRAVEL OF PERSONNEL		
1. Permanent Change of Station (PCS): Applies to relocation of appropriated fund and nonappropriated fund personnel assigned on a full-time permanent basis to MWR programs and activities (excluding shipment of household goods).	ALL: Authorized for appropriated fund personnel only.	ALL: Authorized for nonappropriated fund personnel only.
2. Temporary Duty (TDY) Travel:		
a. Applies to TDY personnel employed by or assigned or detailed to MWR programs and activities.	ALL: Authorized: (1) When the traveler is a military member or employee paid from appropriated funds. (2) For an employee paid with nonappropriated funds whose travel is directed by an authorized DoD official and the TDY relates to business supported by appropriated funds.	ALL: Authorized for personnel engaged in internal MWR operation.
b. Applies to TDY of participants engaged in athletic, recreation, and entertainment programs conducted as a part of the MWR program.	III: Authorized only in conjunction with international and national sports competitions and such other events specifically authorized by statute and other DoD issuance (to include command supervision). (Restriction does not preclude space-available travel by participants in MWR programs.) I, II, IV, V, VI, VII, VIII: Not authorized	ALL: Authorized.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MMR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
3. Use of Government-Owned Vehicles: Relates to use of government-owned, motor pool-controlled, passenger vehicles by an MMR activity.	I, II, IV, VI, VII, VIII: Not authorized except to assist in the performance of executive control and command supervision on a reimbursable basis. III, Gp A: Not authorized except in support of command management functions and on a reimbursable basis for all other requirements. III, Gps B1, B2, B3: Authorized. V: Not authorized except in support of command management and essential feed-in functions and on a reimbursable basis for all other requirements.	ALL: Authorized to reimburse appropriated funds for use of government-owned vehicles.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MMR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
D. TRANSPORTATION OF THINGS 1. <u>Transoceanic</u>: Pertains to goods transported to and from the <u>Continental United States (CONUS)</u> sea and aerial ports of debarkation, first destination overseas ports of debarkation outside the CONUS via surface and air transport from overseas ports of embarkation to CONUS ports of debarkation, and between overseas ports outside of the CONUS, including Alaska and Hawaii. a. <u>Foreign Goods</u>: Goods produced or manufactured in a foreign country and physically located outside of the United States, its possessions, or Puerto Rico, or in bonded warehouses or a foreign trade zone within the United States, its possessions, or Puerto Rico. (1) Goods purchased with appropriated funds. (2) Goods purchased with nonappropriated funds.	ALL: Authorized. ALL: Not authorized except for foreign areas where commercial transportation is not available, in combat zones, and otherwise on a reimbursable basis only.	ALL: Not authorized. ALL: Authorized.
b. <u>United States Goods</u>: Goods produced or manufactured within the <u>United States</u> and physically located within the United States, its possessions, or Puerto Rico, including goods produced or manufactured outside the United States, its possessions, or Puerto Rico and legally imported into the United States (duties and taxes paid) but excluding goods in bonded warehouses or a foreign trade zone within the United States, its possessions, or Puerto Rico: (1) Goods purchased with appropriated funds.	ALL: Authorized.	ALL: Not authorized.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MWR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
(2) Goods purchased with nonappropriated funds.	ALL: Authorized.	ALL: Authorized when appropriated funds are not available.
2. <u>Inland Transportation</u> : Pertains to goods shipped overland only from vendors or other points of origin to F.O.B. destination within the United States, its possessions, or Puerto Rico, and within foreign countries.		
(1) Purchased with appropriated funds.	ALL: Authorized	ALL: Authorized when appropriated funds are not available or sufficient.
(2) Purchased with nonappropriated funds.	ALL: Not authorized except for movement of U.S. goods within foreign countries from port of discharge to first destination, transfers of excess equipment, and transfers between DoD installations necessitated by base closures or inactivations or to preserve, secure, and safeguard goods under emergency conditions, as in the case of a natural disaster or threat of a hostile force or when military vehicles or aircraft, or both, are the only means of transport due to isolation; or shipment of U.S. goods procured with MAF but authorized for procurement with appropriated funds.	ALL: Authorized.
3. <u>Household Goods</u> : Applies to the authorized transportation of household goods for either: a. Appropriated fund personnel.	ALL: Authorized.	ALL: Not authorized.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MMR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
b. Nonappropriated fund personnel.	ALL: Authorized on a reimbursable basis only.	ALL: Authorized.
E. UTILITIES AND RENTS		
1. Utilities: Applies to heat, steam, water, gas, electricity, air conditioning, and other utility services for facilities used primarily by MMR activities. Also includes purchase, installation, and maintenance of metering devices.	I, II: Authorized for all costs outside CONUS. III, Gp A, B1, B2: Authorized for all costs. III, Gp B3: Authorized for all costs outside CONUS and in CONUS areas more than 10 miles or 30 minutes commuting distance from an urbanized area, as defined by the Bureau of Census. IV: Authorized for MMR activities on a comparable basis to those in category III. V: Authorized for all open messes outside CONUS and for all enlisted messes. Officer or consolidated open messes designated as essential feeding facilities are authorized a reasonable proration of costs, as determined locally, to support essential feeding functions.	I, II, VI, VII, VIII: Authorized for all costs in CONUS. III, Gp A, B1, B2: Not authorized. III, Gp B3: Authorized for all costs in CONUS within or near urbanized areas. IV: Authorized for MMR activities on a comparable basis to those in category III. V: Authorized for all other open messes and for other than essential feeding functions of CONUS officer or consolidated open messes.

**AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MWR ACTIVITIES**

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
2. <u>Rents</u>: Applies to the use and possession of non-DoD lands, buildings, and other improvements and installed equipment for a specified period through contract, lease agreement, or other legal instrument when authority is granted through appropriate channels.	VI: Authorized for all costs outside CONUS and for those associations within CONUS whose consumption of utilities would not warrant the cost of estimating, metering, or billing utilities. VII, VIII: Authorized for all costs outside CONUS and for costs too insignificant (such as \$500 yearly or less) to warrant proration and billing.	ALL: Not authorized except upon specific approval by the head of the DoD Component concerned.
	ALL, except temporary lodging facilities (TIFs): Not authorized except upon specific approval by the head of the DoD Component concerned. TIFs: Not authorized.	ALL: Authorized when supporting the operational function of the activity, such as procurement of items for resale and collection of income for merchandise or services sold.
F. COMMUNICATIONS 1. <u>Electronic Communications</u>: Applies to electronic communications (telephone, teletype, television, AUTOVON, AUTODIN, public address systems, and other such electronic media) provided MWR activities and facilities.	ALL: Authorized (1) when supporting the command management functions of the MWR activity, such as statistical data gathering and reporting, and for communications with other DoD and government agencies; (2) for MWR activities located overseas (including Alaska and Hawaii) when deemed to be in the best interest of the government; (3) in MWR facilities that support mandatory military functions in addition to the MWR function.	

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MMR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
2. <u>Postal Service, Mail Indicia, and Postage</u>: Applies to support provided to MMR activities by governmental postal organizations and systems for the dispatch of official mail by MMR activities and rental of post office boxes. For the purpose of this Directive, official mail is defined as any material transmitted through the domestic, international, or military postal service relating exclusively to the business of the U.S. Government.	ALL: Authorized for official mail to include (1) communications within and between government agencies; (2) correspondence to persons or private commercial agencies, except that relating to procurement of goods for resale or pertaining to collection of income.	ALL: Authorized for all other correspondence related to the operation of MAFIs.
G. <u>EQUIPMENT MAINTENANCE</u> 1. <u>Government-Owned Equipment on Loan to MMR Activities</u>: Applies to maintenance, repair, overhaul, or rework of equipment owned by the government and on loan to MMR activities.	I, II, III(Gp B3), IV, V, VI: Not authorized III(Gps A, B1, B2): Authorized for all costs except salvaged equipment. VII, VIII: Authorized	I, II, III(Gp B3), IV, V, VI: Authorized for all costs. III(Gps A, B1, B2), VII, VIII: Authorized when appropriated funds are not available or sufficient.
2. <u>Government-Owned Equipment Authorized for MMR Activities</u>: Applies to maintenance, repair, overhaul, or rework of equipment owned by the government and authorized on component equipment authorization documents to MMR activities.	ALL: Authorized for all costs.	ALL: Authorized when appropriated funds are not available or sufficient.
3. <u>Equipment Acquired with Nonappropriated Funds</u>: Applies to maintenance, repair, overhaul, or rework of equipment acquired with nonappropriated funds.	ALL: Not authorized except for equipment authorized for acquisition with appropriated funds but, because of lack of appropriated funds, is procured with nonappropriated funds and title has been transferred to the government.	ALL: Authorized.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MWR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
H. PRINTING AND REPRODUCTION Applies to printing and reproduction such as work done on printing presses, lithographing and other duplicating, related binding operations, photography, microfilming, formats and forms ment, editing, and graphics.	<u>ALL:</u> Authorized for all costs except those related to the sale of merchandise or services and to the internal operation of NAFIs.	<u>ALL:</u> Authorized.
I. OTHER SERVICES Applies to the following categories of expenses incurred in the day-to-day operation of MWR activities: 1. <u>Education and Training:</u> Pertains to the advancement of job knowledge, development of skills, and improvement of abilities of MWR activity personnel, regardless of position or job occupied, who attend DoD Component-sponsored schools and seminars or private institutions. 2. <u>Auditing Services:</u> Relates to the independent examination, review, and evaluation of the records, controls, practices, and procedures in the area of financial and operational management of an MWR activity by DoD Components' audit organizations or independent public accountants. 3. <u>Data Automation:</u> Applies to automatic data processing system development or operation (personnel, equipment, supplies) needed for either essential command supervision or internal operations of an MWR activity. (See DoD Directives 7920.1, 7950.1 and 7740.1 (references (n), (o), and (p))).	<u>ALL:</u> Authorized for personnel paid with appropriated funds. <u>ALL:</u> Authorized in accordance with DoD Instruction 7600.6 (reference (m)). <u>ALL:</u> Authorized for services required for command supervision and to discharge a commander's supervisory responsibility for MWR management review and analysis.	<u>ALL:</u> Authorized. <u>ALL:</u> Authorized in accordance with reference (m). <u>ALL:</u> Authorized for costs related to internal management of nonappropriated fund resources of MWR activities.

**AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MWR ACTIVITIES**

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
4. Financial Management Services: Relates to those services that reflect the preparation of appropriated and nonappropriated fund budgets; provide accounting for financial management data; facilitate the preparation of financial reports; and provide for management review and analysis to ensure proper control over all the resources that support MWR activities.	ALL: Authorized to provide technical guidance and assistance in preparing budgets, financial and analytical data required for command supervision, and management review and analysis to ensure control over resources of MWR activities.	ALL: Authorized for all costs related to MAF accounting and analytical functions required for the operation of MWR activities.
5. Legal Services: Applies to that service and assistance provided to MWR activities by or through the Judge Advocates General (JAGs) or General Counsel.	ALL: Authorized for judge advocate legal staff but not to include NAFI internal legal staffing.	ALL: Authorized to pay legal staffs required as an integral element of a NAFI.
6. Procurement Office Assistance and Administration: a. Assistance: Applies to technical advice and assistance that may be provided by the procurement office to assist MWR management in the procurement of goods and services with nonappropriated funds. b. Administration: Applies to the functions of procurement (source development, preparation of procurement documents, negotiation of prices, contract administration and audit, and related procurement functions) being performed by the Procurement Office in the procurement of goods and services with nonappropriated funds.	ALL: Authorized.	ALL: Not applicable. ALL: Authorized.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MWR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
7. Custodial and Janitorial Service: Applies to the manpower, supplies, and equipment provided by the installation engineer, the public works department, or by contract.	I, II, IV, VI: Not authorized. III(Group A, B1, B2, VII, VIII): Authorized for all costs. III(Group B3): Authorized only when used for other than MWR purpose, that is, official functions and activities. V: Authorized for enlisted open messes and a reasonable proration of costs for the essential feeding portions of officers or consolidated open messes.	I, II, IV, VI: Authorized for all costs. III(Group A, B1, B2), VII, VIII: Authorized when appropriated funds are not available or sufficient. III(Group B3), V: Authorized for all other costs.
	8. Common Services: Relates to those services of a protective or sanitary nature normally supplied as a command function. Such services include, but are not limited to fire protection, including acquisition and installation of extinguishers and sprinkler and alarm systems; security protection, including physical security of buildings (such as alarm systems and security bars) and protection of funds; pest control; sewage disposal; trash and garbage removal; snow removal; safety; medical, veterinary and sanitary inspections; and rescue operations.	I: Authorized for trash and garbage removal in COMUS and when appropriated funds are not available or sufficient. II-VII: Authorized only when appropriated funds are not available or sufficient.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MWR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
9. <u>Minor Construction</u>: Includes associated architectural and engineering services and applies to the erection, addition, expansion, extension, alteration, conversion or replacement of an existing facility; the relocation of a facility from one place to another, provided that the cost of such construction does not exceed the limits for minor construction as outlined in DoD Directive 4270.24 (reference (q)). (For major construction projects and associated architecture and engineering (A&E) expenses - see expense elements 0.1 and 0.2)	I: Authorized except for the limitations provided in 10 U.S.C. 4779(c) (reference (r)), as applicable. II - VIII: Authorized as prescribed in 10 U.S.C. 2674 (reference (r)).	ALL: Authorized when appropriated funds are not available or sufficient.
10. <u>Maintenance and Repair</u>: Maintenance applies to the recurrent, day-to-day, periodic, or scheduled work required to preserve a government-owned facility, its installed equipment, and its premises in such a condition that it may be used effectively. Repair applies to the restoration of a facility to such a condition that it may be used effectively.	ALL: Authorized.	ALL: Authorized when nonappropriated funds are not available or sufficient.
J. <u>AIRCRAFT PETROLEUM, OIL, AND LUBRICANTS (POL)</u> Applies to POL (including fuel additives) consumed by aircraft operated in conjunction with an MWR activity (does not include cost for travel of personnel (see section C., above) or for transportation of things (see section D., above)).	ALL: Not authorized.	I, II, III, IV, V, VII, VIII: Not authorized. VI: Authorized for aero (flying) membership associations.
K. <u>SHIP POL</u>: Applies to POL consumed by ships and other vessels operated in conjunction with MWR activities. (Does not include cost for travel of personnel (see section C., above) or for transportation of things (see section D., above).)	I, II, IV, V, VI, VII, VIII: Not authorized. III: Not authorized except in support of ship's boats.	I, II, IV, V, VII, VIII: Not authorized. III, VI: Authorized.

**AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR PWR ACTIVITIES**

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
1. OTHER SUPPLIES Applies to supply items (expendables) that are consumed or lose their identity when used, or whose low value do not require the same accountability required for equipment. Included in this group are clothing, tentage, organizational tools, administrative and house-keeping supplies (other than in subsection I.8., above), petroleum fuels, lubricants, preservatives, coolants, oil derivatives (other than aircraft and ship POL in sections J. and K., above).	<u>I, II, VI, VIII</u>: Not authorized except for supplies required for executive control and essential command supervision. <u>III</u>: Authorized for all costs except those related to the sale of merchandise or services. <u>IV, V</u>: Not authorized except for supplies required for executive control and essential command supervision. Enlisted open messes and essential feeding portions of officers or consolidated open messes may be issued appropriated-funded supplies that are authorized items of issue to military dining facilities. <u>VII</u>: Not authorized except for supplies required for executive control and essential command supervision and to the extent required to perform appropriated fund financial management.	<u>ALL</u>: Authorized.

**AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MMR ACTIVITIES**

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
M. EQUIPMENT Includes the acquisition cost of any item of equipment, furniture, or furnishing that does not meet the criteria of an investment cost as defined in DoD Instruction 7040.5 (reference (s)).	I, II, IV, VI, VIII: Purchase not authorized; use of surplus excess government equipment authorized. III: Authorized for all costs except those related to the sale of merchandise or services.	I, II, IV, VI, VII, VIII: Authorized. III: Authorized for all costs related to the sale of merchandise or services and when appropriated funds are not available or sufficient. V: Authorized for all other costs.
N. OTHER OPERATING EXPENSES Includes the cost of types of resources not otherwise provided for, such as investments and loans, grants, subsidies and contributions, insurance claims and indemnities, interest and dividends, and payments instead of taxes, if such resources are included in operations appropriations.	V: All enlisted open messes and essential feeding portions of officers or consolidated open messes may be issued appropriated fund items of equipment authorized to military dining facilities. Use of surplus or excess government equipment authorized to all open messes. VII: Not authorized except for equipment required for executive control and essential command supervision.	ALL: Authorized

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MNR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY ¹	
	APPROPRIATED	NONAPPROPRIATED
0. NON-OPERATING EXPENSES Relates to the following categories of services or expenses provided to an MNR activity. 1. AME Services: Applies to professional service that include the necessary consultations, preparation of preliminary studies, analyses, cost estimates, working drawings, specifications, interior design and decoration, and the inspection and supervision services required for the construction, alteration, or repair of real property facilities.	ALL: (1) Authorized for projects scheduled for construction with appropriated funds. (2) Authorized for projects scheduled for construction with nonappropriated funds as approved by the DoD Component concerned, provided that no additional manpower authorizations are required.	ALL: Authorized for projects scheduled for construction with nonappropriated funds except for inspection and supervision services required for government acceptance of the facility.
2. Military Construction: Applies to the erection, installation or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one place to another. Construction includes equipment installed in, and made a part of, such facilities and related site preparation, excavation, filling, and landscaping or other land improvements.	See enclosure 4.	See enclosure 4.
3. Purchase of Real Property: Relates to the acquisition cost of land, buildings, and other fixed improvements.	ALL: Purchase of real property authorized only to the extent approved by Congress. Use of existing facilities authorized.	ALL: Not authorized except for the purchase of commercially owned buildings located on government property.

AUTHORIZATION FOR APPROPRIATED AND NONAPPROPRIATED FUND SUPPORT
FOR MMR ACTIVITIES

ELEMENTS OF EXPENSE	FUNDS BY CATEGORY	
	APPROPRIATED	NONAPPROPRIATED
4. Investment Equipment: Relates to the acquisition and use of equipment that meet the criteria of investment items as defined in DoD Instruction 7040.5 (reference (s)).	I, II, IV, VI, VIII: Purchase not authorized; use of surplus or excess government equipment authorized. III: Authorized for all costs except those related to the sale of merchandise or services.	I, II, IV, VI, VII, VIII: Authorized. III: Authorized for all costs related to the sale of merchandise or services when appropriated funds are not available or sufficient. V: Authorized for all other costs.
	V: Enlisted open messes and essential feeding portions of officers or consolidated open messes may be issued appropriated-funded items of equipment authorized to military dining facilities. Use of surplus or excess government equipment authorized to all open messes. VII: Not authorized except for equipment required for executive control and essential command supervision and to the extent required to perform appropriated fund financial management.	
P MERCHANDISE, SERVICE, AND EQUIPMENT FOR RESALE OR RENT Pertains to merchandise, services, and equipment procured by an MMR activity for resale or rent to authorized persons.	ALL: Not authorized, except that heads of DoD Components may authorize the sale of military clothing and other appropriated fund items in military exchanges on a cost-reimbursable basis.	ALL: Authorized.

APPENDIX 4

DOD FUNDING POLICY: CONSTRUCTION OF COMMUNITY FACILITIES

This policy prescribes a single source of funding for construction of community facilities in accordance with guidance provided in the Conference Report on the DoD Military Construction Authorization Bill for Fiscal Year 1980 (Pub. L. 96-125). Distinction is made for construction of facilities at new installations or where expansion is required because of a mission change or influx of new units or systems and in certain instances for support of US Forces deployed in foreign areas, where DoD personnel do not have ready access to civilian community or commercial alternatives normally available in the United States. The footnotes to the funding chart reflect these distinctions. Additionally, it is recognized that from time to time Service-unique situations or exigencies that need immediate or more specific attention may require deviation or exception to the basic funding policy. These deviations or exceptions will be reviewed by the ASD(MI&L) and ASD(C) on a case-by-case basis.

<u>Type of Facility</u>	<u>Fund Source</u>	
	<u>MILCON</u> <u>Appropriated¹</u>	<u>Nonappropriated or Other</u>
Gymnasium/Fieldhouse/ Physical Activities Complex	X	
Recreation Center/Day Room/ Multipurpose Recreational Facility	X	
Multipurpose Auditorium/ Theater	X	
MWR Administrative Office/ Supply Center	X	
Family Assistance/Service Center	X	
Child Care Center	X	
Swimming Pool	X	
Library	X	
Open Mess (Club)	X ²	X
Exchange Resale Facility	X ³	X

(Footnotes are on page 69)

<u>Type of Facility</u>	<u>Fund Source</u>	
	<u>MILCON</u> <u>Appropriated¹</u>	<u>Nonappropriated or Other</u>
Exchange Logistical Facility	x ⁴	X
Arts and Crafts/Automotive Self-Help Garage/Skill Development Center	x ⁵	X
Bank	x ⁶	x ⁷
Credit Union		x ⁷
Thrift Shop		x ⁷
Commissary Facilities		x ⁸
Book Store		X
Package Beverage Store		X
Rod and Gun Club		X
Aero Club		X
Temporary Lodging Facility/ Guest House	x ⁹	X
Cabin/Cottage/Recreation Site Lodge		X
Outdoor Recreation Pavilion Facility		X
Bowling Center		X
Skating Rink (ice or roller)		X
Youth Center		X
Playing Courts/Fields	x ¹⁰	X
Golf Course/Facility		X
Riding Stable		X
Campground		X
Amateur Radio Facility		X
Bathhouse		X
Marina, Boathouse		X

<u>Type of Facility</u>	<u>Fund Source</u>	
	<u>MILCON</u>	
	<u>Appropriated¹</u>	<u>Nonappropriated or Other</u>
Outdoor Theater		X
Bandstand		X

¹Appropriated funds may be used for all community facility construction related to the establishment, activation, or expansion of a military installation or relocation of facilities for convenience of the government; replacement of facilities denied by country-to-country agreements; restoration of facilities destroyed by acts of God, fire, or terrorism; and to correct life safety deficiencies. In the case of installation "expansion," a major increase in authorized and assigned personnel strength over a short period of time is necessary before appropriated fund construction can be programed. Such expansion must be the result of a mission change or influx of new units or systems. For example, a 25 percent increase in a 1-year timespan satisfies these criteria. In contrast, personnel increases resulting from an evolutionary expansion occurring over several years does not satisfy these criteria.

²Consolidated open mess facilities (including modular construction) outside the United States.

³Exchange facilities required in areas of military conflict; or as integral parts of air terminal, hospital, housing or other construction projects.

⁴Exchange administrative/storage/maintenance facilities outside the United States and all laundries, dry cleaning plants, bakeries, dairies, or similar facilities operated by an exchange in support of a military mission.

⁵Arts and craft/automobile self-help garage/skill development centers outside the United States.

⁶Banks at locations where on-base banking services are required, but where the patronage base is insufficient to provide these services on a self-sustaining basis. (See DoD Instruction 1000.12 (reference (t))).

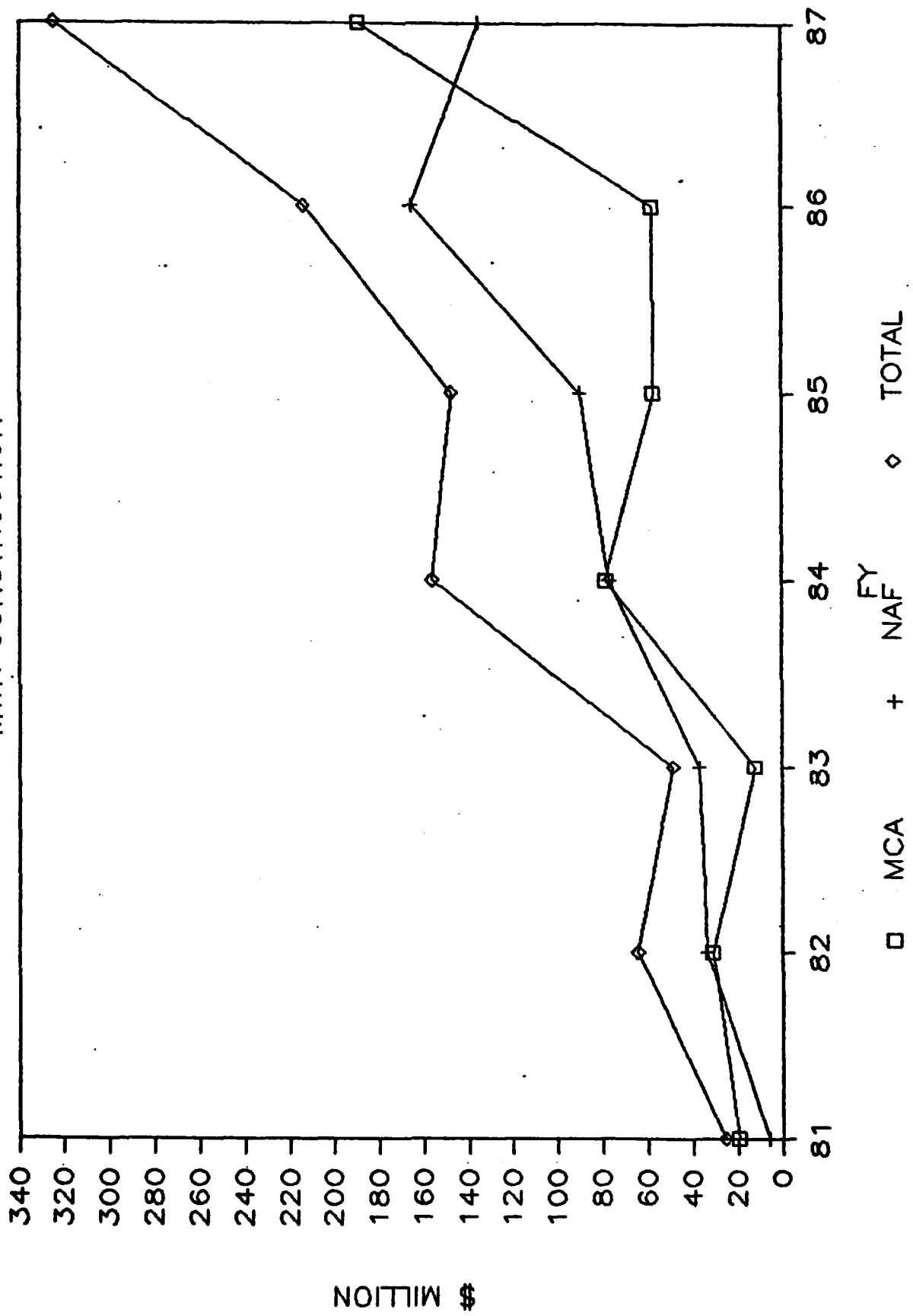
⁷Private funds.

⁸Surcharge trust funds.

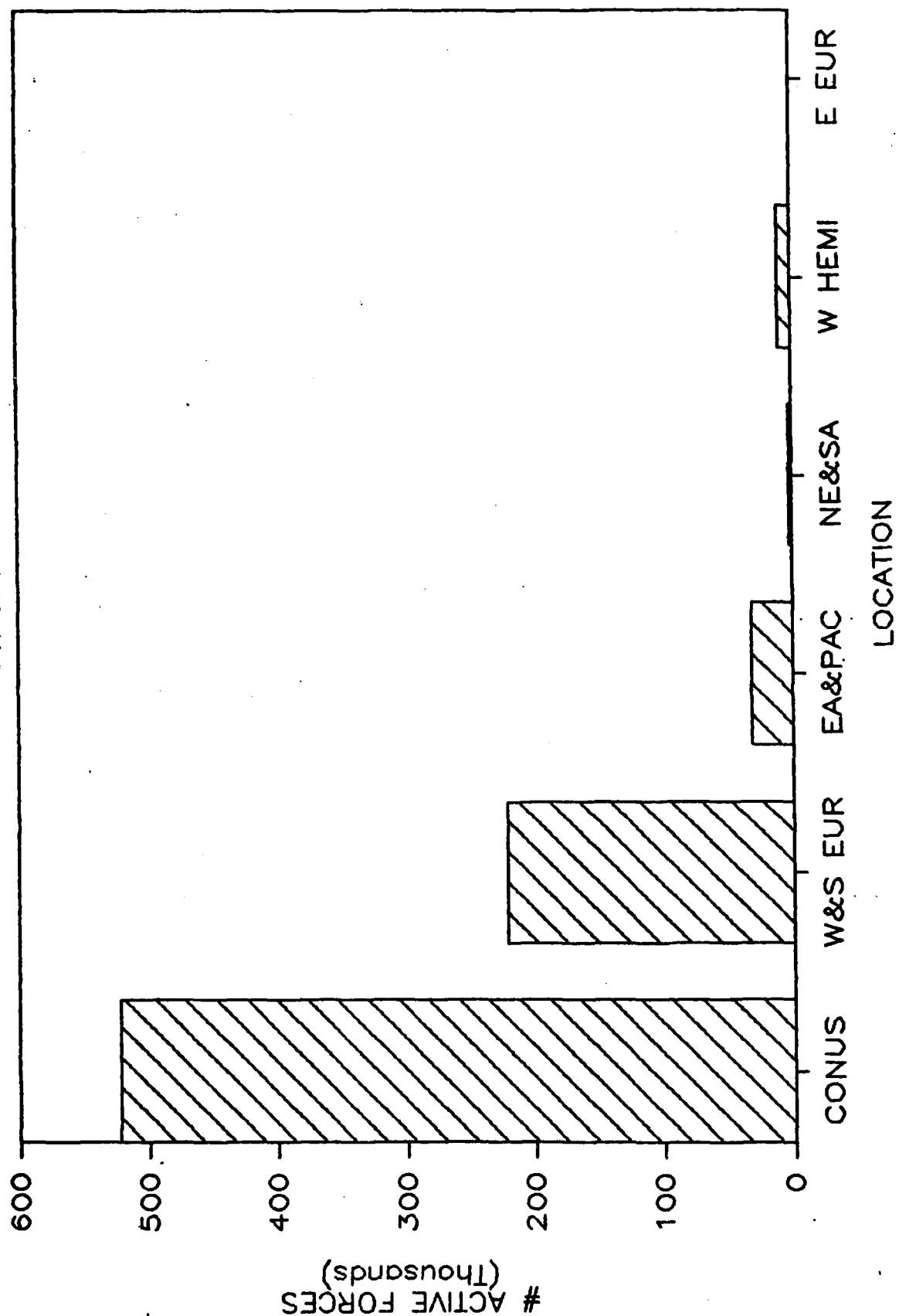
⁹Authorized overseas where avoiding the expenditure of other appropriated funds (such as temporary lodging allowance, basic allowance for quarters, station housing allowance, and furniture support) would save appropriated funds.

¹⁰Playing courts and fields constructed as a part of a gymnasium, fieldhouse, or physical activities complex.

MAJOR MWR CONSTRUCTION

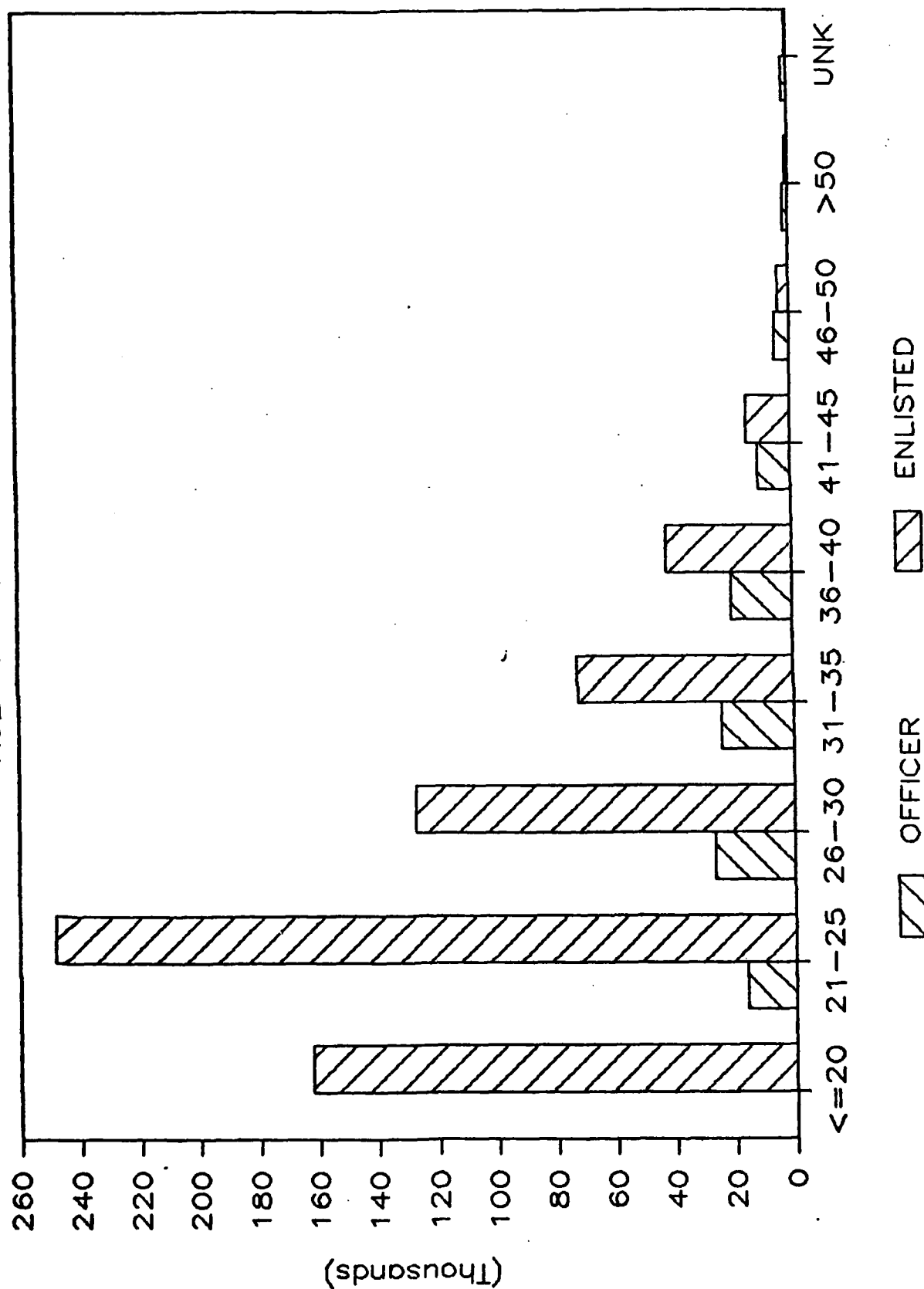


US ARMY ACTIVE FORCES

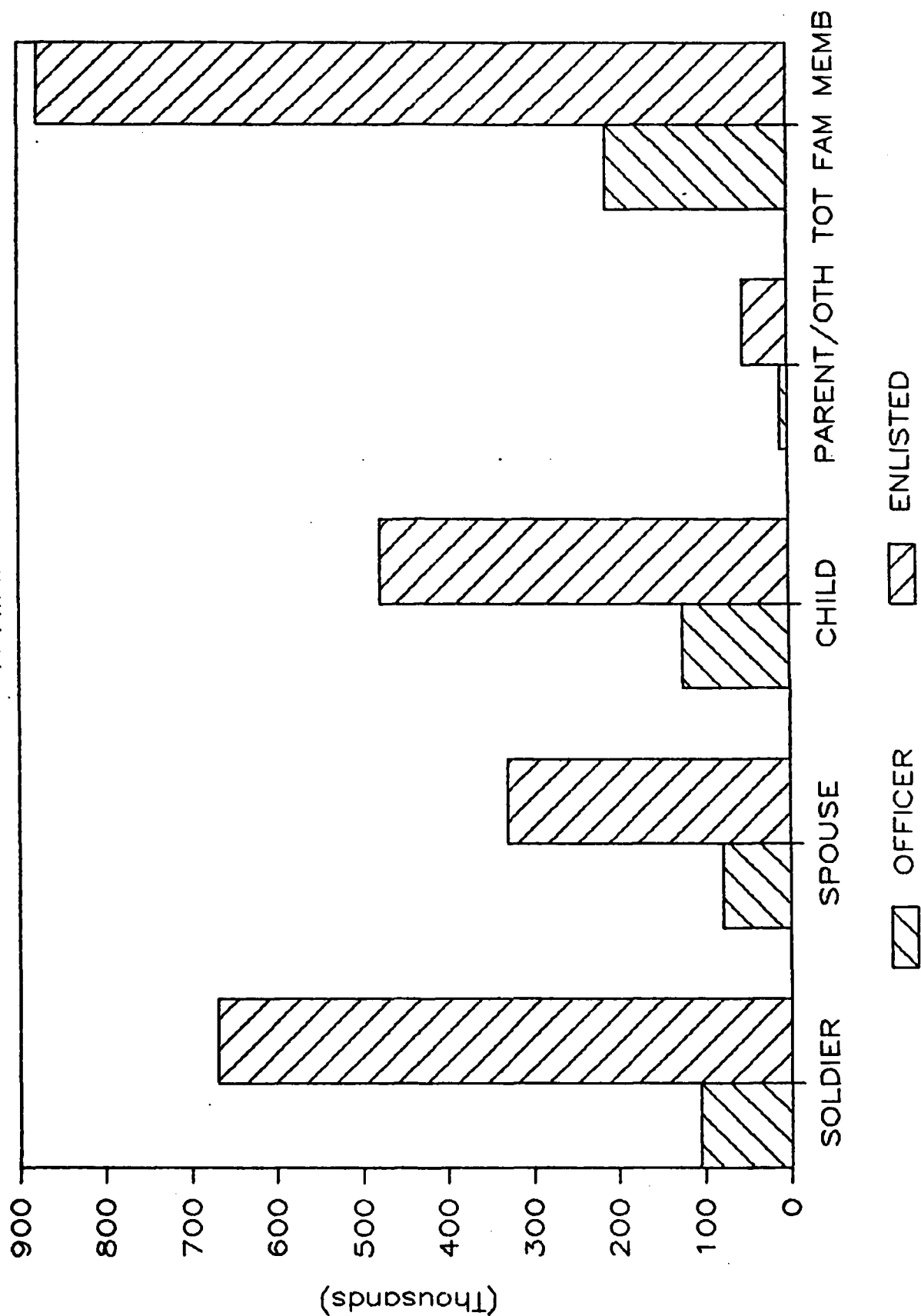


US ARMY

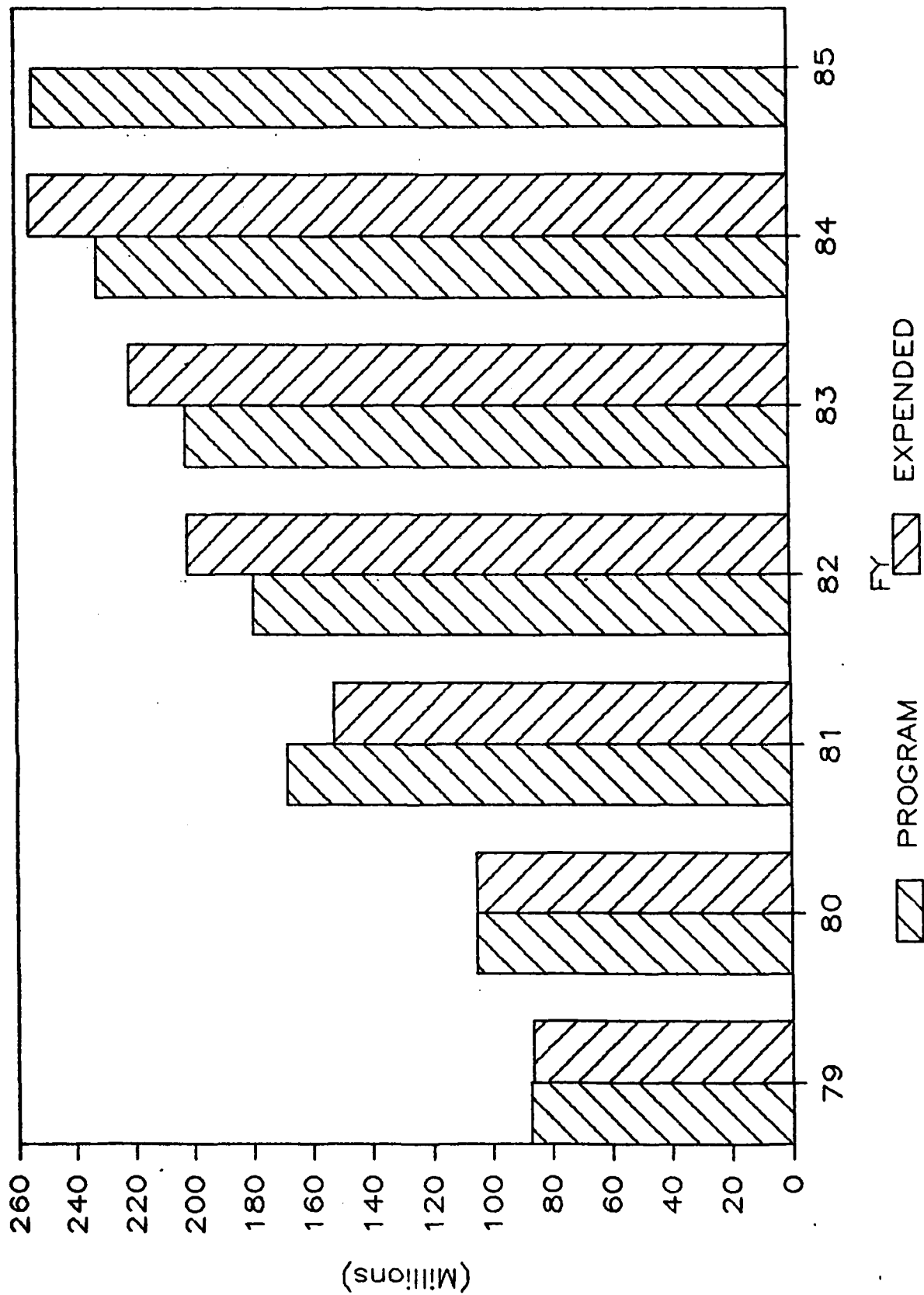
AGE OF ACTIVE FORCES



ACTIVE ARMY FAMILIES



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