

AD-A209 725

OFFICE OF THE SECRETARY OF DEFENSE

**JUSTIFICATION OF ESTIMATES
FY 1990/FY 1991 BIENNIAL BUDGET
SUBMITTED TO CONGRESS**

JANUARY 1989



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PROCUREMENT,
DEFENSE AGENCIES

NATIONAL GUARD AND
RESERVE EQUIPMENT,
DEFENSE

ADP EQUIPMENT
MANAGEMENT FUND

DEFENSE PRODUCTION
ACT

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PROCUREMENT, DEFENSE AGENCIES

PROCUREMENT, DEFENSE AGENCIES
FOR FISCAL YEARS 1990/1991

For expenses of activities and agencies of the Department of Defense (other than the military departments) necessary for procurement, production, and modification of equipment, supplies, materials, and spare parts therefor, not otherwise provided for; the purchase of not to exceed [79] 633 passenger motor vehicles of which [72] 586 shall be for replacement only; expansion of public and private plants, equipment, and installation thereof in such plants, erection of structures, and acquisition of land for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; reserve plant and Government and contractor-owned equipment layaway: [\$1,186,100,000] \$1,403,800,000 to remain available for obligation until September 30, [1991] 1992.

Further, for the foregoing purposes, including the purchase of not to exceed two vehicles required for physical security of personnel notwithstanding price limitations applicable to passenger carrying vehicles but not to exceed \$150,000 per vehicle; and the purchase of not to exceed 560 passenger motor vehicles of which 560 shall be for replacement only, \$1,466,800,000, to become available for obligation on October 1, 1990 and to remain available for obligation until September 30, 1993. (Department of Defense Appropriations Act, 1989)

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Budget Plan (amounts for PROCUREMENT actions programmed)

Identification code	97-0300-0-1-051	1988 actual	1989 est.	1990 est.	1991 est.
Program by activities:					
Direct program:					
00.0101	Major equipment	1,302,763	1,181,553	1,403,800	1,466,800
01.0101	Reimbursable program	308,421	402,130	444,120	408,220
10.0001	Total	1,611,184	1,583,683	1,847,920	1,875,020
Financing:					
Offsetting collections from:					
11.0001	Federal funds(-)	-305,816	-402,130	-444,120	-408,220
13.0001	Trust funds(-)	-253			
14.0001	Non-Federal sources(-)	-2,352			
17.0001	Recovery of prior year obligations				
21.4002	Unobligated balance available, start of year:				
21.4003	For completion of prior year budget plans				
21.4007	Available to finance new budget plans				
24.4002	Keprogramming from/to prior year budget plans	-106,000			
25.0001	Unobligated balance available, end of year:	-4,942			
	For completion of prior year budget plans				
	Unobligated balance lapsing	4,942			
39.0001	Budget authority	1,196,763	1,181,553	1,403,800	1,466,800
Budget authority:					
40.0001	Appropriation	1,266,263	1,186,100	1,403,800	1,466,800
40.0017	Appropriation rescinded (unobligated balance)	-106,000	-4,547		
41.0001	Transferred to other accounts(-)				
42.0001	Transferred from other accounts	36,500			
43.0001	Appropriation (adjusted)	1,196,763	1,181,553	1,403,800	1,466,800
Relation of obligations to outlays:					
71.0001	Obligations incurred, net				
72.4001	Obligated balance, start of year				
74.4001	Obligated balance, end of year				
77.0001	Adjustments in expired accounts				
78.0001	Adjustments in unexpired accounts				
90.0001	Outlays				

Obligations

Identification code	97-0300-0-1-051	1988 actual	1989 est.	1990 est.	1991 est.
Program by activities:					
Direct program:					
00.0101	Major equipment	1,329,686	1,172,278	1,360,285	1,448,981
01.0101	Reimbursable program	313,588	402,130	444,120	408,220
10.0001	Total	1,643,274	1,574,408	1,804,405	1,857,201
Financing:					
Offsetting collections from:					
11.0001	Federal funds(-)	-304,441	-402,130	-444,120	-408,220
13.0001	Trust funds(-)	-253			
14.0001	Non-Federal sources(-)	-2,352			
17.0001	Recovery of prior year obligations	-21,464			
21.4002	Unobligated balance available, start of year:				
21.4003	For completion of prior year budget plans	-357,483	-340,540	-349,815	-393,330
21.4007	Available to finance new budget plans	-106,000			
24.4002	Reprogramming from/to prior year budget plans				
25.0001	Unobligated balance available, end of year:				
	For completion of prior year budget plans	340,540	349,815	393,330	411,149
	Unobligated balance lapsing	4,942			
39.0001	Budget authority	1,196,763	1,181,553	1,403,800	1,466,800
Budget authority:					
40.0001	Appropriation	1,266,263	1,186,100	1,403,800	1,466,800
40.0017	Appropriation rescinded (unobligated balance)	-106,000			
41.0001	Transferred to other accounts(-)		-4,547		
42.0001	Transferred from other accounts	36,500			
43.0001	Appropriation (adjusted)	1,196,763	1,181,553	1,403,800	1,466,800
Relation of obligations to outlays:					
71.0001	Obligations incurred, net	1,336,228	1,172,278	1,360,285	1,448,981
72.4001	Obligated balance, start of year	1,210,426	1,219,410	1,103,888	1,141,473
74.4001	Obligated balance, end of year	-1,219,410	-1,103,888	-1,141,473	-1,198,454
77.0001	Adjustments in expired accounts	-11,068			
78.0001	Adjustments in unexpired accounts	-21,464			
90.0001	Outlays	1,294,712	1,287,800	1,322,700	1,392,000

Identification code	97-0300-0-1-051	1988 actual	1989 est.	1990 est.	1991 est.
Direct obligations:					
131.001	Equipment	1,329,686	1,172,278	1,360,285	1,448,981
199.001	Total Direct obligations	1,329,686	1,172,278	1,360,285	1,448,981
Reimbursable obligations:					
231.001	Equipment	313,588	402,130	444,120	408,220
299.001	Total Reimbursable obligations	313,588	402,130	444,120	408,220
999.901	Total obligations	1,643,274	1,574,408	1,804,405	1,857,201

SUMMARY OF REQUIREMENTS
(In Thousands of Dollars)

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>	FY 1991 <u>Estimate</u>
Defense Communications Agency	33,444	42,072	30,854	36,078
Defense Contract Audit Agency	8,072	3,517	2,988	1,991
Defense Investigative Service	3,119	2,426	5,193	4,320
Defense Logistics Agency	72,793	75,758	137,787	134,382
Defense Mapping Agency	15,678	73,423	129,447	136,996
Defense Nuclear Agency	4,337	3,430	2,641	8,434
Office of the Secretary of Defense	127,248	120,373	108,708	105,508
Office of the Inspector General	1,426	958	1/	1/
Office of the Joint Chiefs of Staff	26,072	26,397	24,040	26,351
On-Site Inspection Agency	1,300	48	952	1,000
Uniformed Services University of the Health Sciences	834	855	881	990
Classified Programs	<u>1,008,440</u>	<u>832,296</u>	<u>960,309</u>	<u>1,010,820</u>
TOTAL DIRECT PROGRAM	1,302,763	1,181,553	1,403,800	1,466,800
Reimbursable Program	<u>308,421</u>	<u>402,130</u>	<u>444,120</u>	<u>408,220</u>
TOTAL	1,611,184	1,583,683	1,847,920	1,875,020
Less: Portion of program to be obligated in subsequent fiscal years	340,540	349,815	393,330	411,149
Unobligated balance lapsing	4,942	-	-	-
Plus: Funds available for obligation from prior years program	<u>377,572</u>	<u>340,540</u>	<u>349,815</u>	<u>393,330</u>
TOTAL OBLIGATIONS	1,643,274	1,574,408	1,804,405	1,857,201

1/ In FY 1990 and subsequent years, funding for the Office of the Inspector General is consolidated in the DoD Inspector General appropriation.

PROCUREMENT, DEFENSE AGENCIES

Defense Communications Agency (DCA)

(\$ In Thousands)

FY 1991 Estimate	36,008
FY 1990 Estimate	30,854
FY 1989 Estimate	42,072
FY 1988 Actual	33,444

Purpose and Scope of Work

These funds provide for procurement of mission essential equipment for the Defense Communications Agency (DCA). The mission of DCA is to perform system engineering and technical support for assigned communications systems; perform systems architecture functions for military satellite communications systems; provide analytical and automatic data processing support to the Joint Staff, the Secretary of Defense and other Department of Defense (DoD) components; procure leased communications and equipment for the DoD and other Government agencies; and provide Presidential and other communications support as required.

Justification of Funds

1. Worldwide Military Command and Control System (WWMCCS) Automatic Data Processing (ADP) Systems:

- a. WWMCCS ADP Systems: The WWMCCS ADP Systems provide support to the WWMCCS ADP community by testing and maintaining system software used by WWMCCS sites. The FY 1990 request for \$1,250 thousand provides funds to maintain a WWMCCS hardware configuration. The FY 1991 request of \$2,305 thousand provides for minimal maintenance of the WWMCCS ADP configuration.
- b. National Military Command System (NMCS) ADP Systems: The NMCS ADP support procures the necessary ADP equipment to provide analytical and ADP operational support to the Joint Staff and OSD. The FY 1990 request for \$6,382 thousand will continue to provide ADP equipment necessary to meet Joint Staff and OSD requirements. Major items include additions to the model simulation support system, a Command Center Processing and Display System (CCPDS) and an upgrade to the WWMCCS equipment to take advantage of capabilities offered by a new operating system. FY 1991 funding totalling \$6,600 thousand provides a major upgrade of the Nuclear Planning and Execution System hardware as well as additional user terminals and commercial software packages.

PROCUREMENT, DEFENSE AGENCIES

Defense Communications Agency (continued)

- c. WMMCCS Information System (WIS) ADP: WIS ADP support in FY 1991 of \$1,416 thousand provides for the purchase of a Data Base Machine, Workstations, Large Screen Wall Displays and WIS mainframe/peripheral upgrades.
2. Items Less Than \$2 Million Each: This line provides funding for miscellaneous support, communications, electronic, and automatic data processing (ADP) equipment as follows:
- a. The Information Management Organization (IMO) requires \$5,331 thousand in FY 1990. These funds will provide for ADP equipment in support of the telecommunications activities of the Defense Communications System (Operational Center Support) and for an integrated office automation system (Information Management System) for the Agency. Funds will be used for the replacement of existing central processing units, acquisition of personal computers, printers, disk storage devices and operating systems. In FY 1991, \$4,877 thousand will be used for a multilevel, secure data communications network, TEMPEST equipment, disk upgrades, software and other peripheral equipment will be obtained. In addition, central processing units will be upgraded.
- b. The Defense Communications Systems Organization (DCSO) requires \$291 thousand in FY 1990 and \$304 thousand in FY 1991. These funds will be used to replace obsolete communications and COMSEC equipment. Funds will also be used to replace two cargo-carrying vehicles in each fiscal year.
- c. In FY 1990, \$16,995 thousand is required for White House Communications Agency (WHCA) support to the President, Vice President, White House Staff and the National Security Council. FY 1990 funds will provide for fixed and transportable voice and data communications equipment, facility support systems and ADP upgrades. In FY 1991, \$18,098 thousand will provide for continued acquisition/upgrade of secure communications and ADP support systems.
- d. Funds in the amount of \$476 thousand in FY 1990 and \$578 thousand in FY 1991 are needed by the National Communications System (NCS) to obtain ADP and communications equipment to support the Federal Government's National Security Emergency Preparedness (NSEP) telecommunications requirements.
- e. The remainder of the funds in this line provides \$129 thousand in FY 1990 and \$130 thousand in FY 1991 for various general purpose administrative equipment for elements of the DCA Headquarters.

PROCUREMENT, DEFENSE AGENCIES

Defense Communications Agency (continued)

3. Productivity Investment Funds (PIF): This line item contains funds for two productivity projects to be undertaken by the Joint Data Systems Support Center (JDSSC) in FY 1991. \$552 thousand is required for a JDSSC Analysis Network consisting of TEMPEST workstations, an interactive software environment and a supporting classified network. \$1,148 thousand is needed for the second project, Computer Aided Software Engineering, and will be used to obtain a mainframe computer, associated personal computers and supporting software.

PROCUREMENT, DEFENSE AGENCIES

Defense Contract Audit Agency (DCAA)

	(\$ in Thousands)	
FY 1991 Estimate	1,991	
FY 1990 Estimate	2,988	
FY 1989 Estimate	3,517	
FY 1988 Actual	8,072	

Purpose and Scope of Work

These funds provide for the purchase of the latest technologically advanced electronic data processing and other capital equipment to support DCAA's contract audit mission. FY 1990 and FY 1991 procurement funds will be applied to two major programs: continued financing of the DCAA Integrated Information System (DIIS); and acquisition of equipment and systems necessary for meeting normal and recurring administrative support requirements.

Justification of Funds

A. DCAA Integrated Information System (DIIS). (\$2,938 thousand in FY 1990) In FY 1985, the DCAA began developing and installing an integrated information processing network supporting word processing, data processing, and telecommunications for approximately 170 field audit offices, six regional offices, and the Agency Headquarters. The DIIS is to be a three tiered distributed processing network consisting of separate subsystems for field audit offices, regional offices, and the Agency Headquarters. These subsystems are to be supplemented by portable personal computers that will communicate with and be integral components of the subsystems.

PROCUREMENT, DEFENSE AGENCIES

Defense Contract Audit Agency (Continued)

The DIIS is being designed to exploit the latest information processing technology by reducing or eliminating time expended in the collection, processing, retrieval, analysis, and dissemination of information needed to accomplish the Agency's audit mission. Implementation of DIIS will improve the quality of audit management and performance, reduce the time required to perform audit activities, and improve methods of handling and reporting information throughout the Agency. Savings which are achieved through productivity increases will be reapplied to other Agency programs, specifically the backlog of audits of contractors' incurred costs.

FY 1990/1991 funding is required for the continued expansion and enhancement of DIIS by acquiring: (1) additional resident work stations, and related communications hardware/software to support the Agency's approximately 400 audit suboffices to permit their access to the DIIS network as well as to continue to provide adequate support to personnel assigned to major FAOs; (2) maintain the ratio of 1:1.5 computers to field auditors achieved in FY 1989 and 1:1 ratio for supervisory and administrative personnel; (3) begin replacement of workstations that have reached their last year of technological and systems life; and (4) upgrade LAN and PC software to optimize the use of portable and resident personal computers.

The decision to develop an integrated information system was based on findings of studies which identified aspects of Agency operations where productivity improvements could be achieved by applying the latest technology in data processing, telecommunications, and office automation. These studies applied procedures and guidelines published by the National Bureau of Standards for performing requirements analyses for office automation projects, and involved: (1) analyzing the source, use, interaction, and methods of collecting and retaining information at all organizational levels; (2) determining efficiency of current management and administrative processes and systems; (3) modifying or eliminating ineffective or inefficient procedures; (4) defining new and/or validating existing information requirements; and (5) implementing an information system that maximizes auditor and administrative productivity in meeting mission requirements.

PROCUREMENT, DEFENSE AGENCIES

Defense Contract Audit Agency (Continued)

In FY 1991, funding of \$1,941 thousand is required to acquire workstations to replace personal computers that were installed in Field Office (FAO) subsystems (local area networks) in FY 1986, which are technologically obsolete, and have reached the end of their useful systems life. Such obsolete equipment will be useless because of its inability to efficiently run new software to interact with upgraded network software.

B. Administrative Support Systems. In both FY 1990 and FY 1991 \$50 thousand is requested to purchase additional and replacement equipment to meet continuing administrative requirements of the headquarters and field components. These include such items as copiers, micrographic equipment, text storage and retrieval systems.

PROCUREMENT, DEFENSE AGENCIES

Defense Investigative Service

	(\$ in Thousands)
FY 1991 Estimate	4,320
FY 1990 Estimate	5,193
FY 1989 Estimate	2,426
FY 1988 Actual	3,119

Purpose and Scope of Work

The Defense Investigative Service (DIS) is a federal law enforcement, personnel security investigative and industrial security agency whose principle missions are:

1. to provide a single centrally-directed service to conduct all Personnel Security Investigations (PSI) for the Department of Defense (DoD).
2. to safeguard classified information entrusted to industry by the U.S and foreign governments.
3. to develop and promote physical protection of key industrial facilities important to Defense production, mobilization, and military operations.
4. to conduct inspections of DoD contractors having possession or custody of conventional arms, ammunition, and explosives in connections with Defense contractors.
5. to support these missions and the DoD Information Security Management Program by resident and extensive training.

This budget requests funds to facilitate accomplishment of this agency's programmed PSI cases and industrial inspections and surveys.

PROCUREMENT, DEFENSE AGENCIES

Defense Investigative Service (Continued)

Justification of Funds

In FY 1990, \$4,771 thousand is requested to procure 620 vehicles for the investigators. In addition, \$422 thousand will support DIS with special mail equipment for the Defense National Agency Checks with Written Inquires, a trailer complex to support the DoD Security Institute, and additional ADP equipment.

Of the FY 1991 request, \$4,136 thousand is required to procure 535 vehicles and \$185 thousand is required to procure ADP Equipment.

PROCUREMENT, DEFENSE AGENCIES

	(# in Thousand)
FY 1991 Estimate	134,382
FY 1990 Estimate	137,787
FY 1989 Estimate	75,758
FY 1988 Actual	72,793

Defense Logistics Agency

Purpose and Scope of Work

The Defense Logistics Agency (DLA) is responsible to the Secretary of Defense for providing effective logistics support, contract administration, technical services and property disposal to all the military services, many federal civil agencies, and friendly foreign governments at the lowest feasible cost to the taxpayer. To assist in managing its diverse activities, it is necessary to procure mission essential items such as materials handling equipment, automotive vehicles, mechanized materials handling systems, automated data processing and telecommunications equipment, and miscellaneous warehouse and office equipment.

Justification of Funds

1. Materials Handling Equipment: The \$9.6 million requested in FY 1990 will procure 399 forklifts at various Supply Centers, Depots, and Defense Reutilization and Marketing Offices (DRMOs) to replace over-age equipment and to meet workload requirements. The \$4.0 million required in FY 1991 is to continue efforts to modernize DRMOs and to replace aging, unreliable equipment to maintain the ability to receive, store, and issue material to customers.
2. Automotive Vehicles: Trucks and trailers are required to replace aging vehicles and retain the ability to move supplies and equipment between DLA warehouses and to deliver customer orders. In addition passenger vehicles are required to replace aging vehicles at overseas depots. DLA will need \$2.3 million in FY 1990 and \$1.5 million in FY 1991, respectively.

PROCUREMENT, DEFENSE AGENCIES

Defense Logistics Agency (continued)

3. Mechanized Material Handling Equipment: In FY 1990, DLA plans to purchase \$12.8 million of equipment to modernize Depot/Center operations by installing various automated systems. The systems will improve speed and accuracy and reduce the cost of moving supplies and material. An additional \$3.7 million will be used to buy automated conveyors and equipment to improve storage at 21 Defense Reutilization Marketing Offices (DRMOs). The FY 1991 program will fund nine additional DRMO modernizations for \$1.8 million; several large Depot projects including a facility for consolidation of subsistence items at Tracy, California, for \$35.0 million; a high-rise automated storage and retrieval system at Memphis, Tennessee, for \$6.0 million; improvements to General Purpose Warehouses at Memphis and Mechanicsburg, Pennsylvania, for \$7.0 million; an automated packing system at Richmond, Virginia, for \$2.0 million; and modernization of a bulk warehouse facility at Mechanicsburg for \$0.6 million. These planned improvements will save storage space, reduce labor requirements, and enable DLA to improve supply availability.

4. Automated Data Processing Equipment: Automated Data Processing Equipment (ADPE) is vital to the continued successful completion of all DLA missions. Prudent investments in ADPE in the past have enabled the Agency to maintain high levels of supply availability and accomplish increasing workload with fewer people. Since 1975, composite workload at DLA has increased by 60 percent while the number of personnel employed has remained relatively constant. This increased productivity is a direct result of investments in automation. In the FY 1988/1989 Amended Budget Submission, DLA reflected a reduction of \$30 million dollars in the Operation and Maintenance appropriation for both years to account for these savings. The FY 1990/1991 Biennial Budget again reflects these savings. We can expect savings to be attainable only if we continue a prudent level of replacement and investment.

PROCUREMENT, DEFENSE AGENCIES

Defense Logistics Agency (continued)

The FY 1990 request for \$91.2 million includes major improvements for the Standard Automated Materiel Management System (SAMMS) in all DLA Supply Centers for \$33.9 million; Defense Automatic Addressing System Office (DAASO) in Dayton, Ohio, for \$16.2 million; and the Defense Logistics Services Center (DLSC) in Battle Creek, Michigan, for \$13.0 million. The SAMMS system is responsible for inventory, procurement, and production control. It is the central operating ADP system for all DLA Supply Centers, and it is used by other federal agencies for tracking and cataloging purposes. DAASO provides automated routing of requisitions for DoD to ensure that requirements are delivered to suppliers and filled. DLSC manages the Federal Supply Catalog. Each of these activities is vital to supply management, and each is operating with old systems that are reaching capacity and are expensive to operate and maintain. Other major ADP improvement in FY 1990 include the acquisition of on-line storage and cataloging equipment (CTOL) (\$11.0 million); continued procurement of Distributed Minicomputer Systems (DMINS) (\$5.0 million); and initial procurement of the Engineering Data Management and Control System (EDMICS) (\$5.0 million). Other ADP equipment upgrades total \$7.1 million in FY 1990. These improvements will allow the agency to provide better service at a reduced price.

In FY 1991, \$9.3 million will complete the DAASO upgrade. An additional \$42.7 million will be required to fund other productivity enhancing items, such as Engineering Data Management Information and Control System (EDMICS) (\$20.5 million); Distributed Minicomputer System (DMINS) (\$6.6 million); on-line storage and cataloging equipment (CTOL) (\$6.5 million); and other ADP equipment upgrades totaling \$9.1 million.

5. Telecommunications Equipment: To conduct the Agency's business, \$6.0 million will be needed in FY 1990 and \$15.8 million in FY 1991 to acquire telecommunications equipment for DLA activities.

PROCUREMENT, DEFENSE AGENCIES

Defense Logistics Agency (continued)

6. Office Equipment: In FY 1990, the \$0.3 million requested will purchase a variety of general office equipment, such as files, microfilm equipment, copiers, collators, and audiovisual equipment. In FY 1991, the \$0.7 million requested will be used to continue replacement of general office equipment which has exceeded its useful life cycle.
7. Miscellaneous Warehouse Equipment: Various small dollar value items are required for the efficient operation of DLA warehouses in FY 1990 and FY 1991 that will cost \$2.5 million and \$0.5 million, respectively.
8. Other Major Equipment: Cranes, tractors, loaders, mowers, saws, sprayers, and laboratory test-equipment items are required to operate and maintain DLA facilities. In FY 1990, \$9.4 million is requested. Of this amount, \$5.6 million is required for various cranes to be used at the Defense Reutilization and Marketing Offices (DRMOs). In FY 1991, of the \$7.3 million requested, \$1.8 million will procure additional cranes, and \$2.0 million is required for an integrated circuit test system.

PROCUREMENT, DEFENSE AGENCIES

Defense Mapping Agency

	<u>(\$ in Thousands)</u>
FY 1991 Estimate	136,996
FY 1990 Estimate	129,447
FY 1989 Estimate	73,423
FY 1988 Actual	15,678

Purpose and Scope of Work

These funds provide for procurement of equipment essential to the mission of the Defense Mapping Agency (DMA) in support of the mapping, charting, and geodesy requirements of the Department of Defense and in support of the general navigation needs of all United States vessels and of mariners in general. This submission in its entirety is also included in the Tactical Intelligence and Related Activities (TIARA) justification book.

Justification of Funds

1. FY 1990

The FY 1990 DMA budget estimate includes \$112.3 million for the Digital Production System which is required to purchase the hardware for one of the DMA production sites, the Hydrographic/Topographic Center located in Brookmont, Maryland, as well as some long lead components, parts and materials for the final production center, the Aerospace Center. The majority of the hardware being purchased for the final site is budgeted in FY 1991.

The Digital Production System is a \$2.6 billion program to develop and implement a capability to produce DMA products from current and advanced source materials using computer assisted techniques. Without the Digital Production System, DMA cannot use the new source materials which support 90 percent of the mapping, and charting requirements of DoD operational commanders.

The Digital Production System has two phases, the first phase, MARK 85, is the transitional step to improve our ability to support military requirements while we

PROCUREMENT, DEFENSE AGENCIES

Defense Mapping Agency

convert to an all digital system. The second phase, MARK 90, achieves a fully operational all digital production system by the mid-1990's.

MARK 90 is a softcopy or digital exploitation capability to be turned over for production in March 1992. It will permit maximum use of new source materials and result in cost benefits, increased throughput, greater product flexibility, and improved responsiveness.

Beginning in FY 1990 MARK 90 equipment currently under development in the Research and Development phase of MARK 90 will be delivered to the first DMA production center, the Reston Center. In FY 1991 and FY 1992, the equipment being acquired using Procurement funds will be delivered to the other two DMA production centers with production scheduled for March 1992. The details of this program are classified and included in the Tactical Intelligence and Related Activities (TIARA) justification book.

In addition to the Digital Production System, \$2.9 million of the FY 1990 procurement program is for base operations and mission support equipment including air conditioning and power conditioner units and communications equipment related to MARK 90 implementation.

Also included is \$.5 million for the Defense Reconnaissance Support Program; the details of this program are classified and included in the TIARA justification book.

The DMA Distribution Management System (DDMS), requiring \$13.6 million, is scheduled for acquisition in FY 1990. The DDMS, compatible with an all digital production environment, will replace the existing distribution system with an enhanced ADP capability to handle incoming requirements and control distribution of MARK 90 maps, charts, and geodetic products.

The purchase of five vehicles costing \$.1 million is scheduled for FY 1990.

PROCUREMENT, DEFENSE AGENCIES

Defense Mapping Agency

2. FY 1991

Within the Other Capital Equipment line item, the Digital Production System continues the MARK 90 acquisition at a slightly lower level of \$110.3 million in FY 1991. The FY 1991 equipment purchase consists of hardware for the Aerospace production facility in St. Louis, Mo.

The Defense Reconnaissance Support Program requires \$2.7 million and is detailed in the TIARA justification book.

Other Capital Equipment also includes \$1.1 million for a Personnel Concept III Air Force developed personnel management system that is required if DMA is to continue using the Air Force automated management personnel system. Communications requirements totalling \$1.8 million will fund the Consolidated Headquarter's office automation(\$.5 million), the Defense Data Network gateway host computers (\$.6 million), and cryptographic devices (\$.7 million). Replacement and some initial purchases of non-Digital Production System production equipment, such as the Digital Aeronautical Flight Information System upgrade (\$.8 million), and the Digital Color Proofing System (\$.7 million), requires \$1.5 million. The request also includes \$.3 million for Productivity Enhancing Capital Equipment. The remaining \$.4 million will fund replacement of other communications and mission support equipment.

Automatic Data Processing equipment to be purchased in FY 1991 totalling \$18.6 million completes the acquisition of equipment needed to process requirements and control distribution of maps, charts, and digital products to DMA users when MARK 90 production capabilities are operational.

The replacement of seventeen vehicles for \$.3 million is included in the FY 1991 program.

PROCUREMENT, DEFENSE AGENCIES

Defense Nuclear Agency (DNA)

	(\$ in Thousands)
FY 1991 Estimate	8,434
FY 1990 Estimate	2,641
FY 1989 Estimate	3,430
FY 1988 Actual	4,337

Purpose and Scope of Work

These funds provide for replacement of general and special purpose vehicles, material handling equipment, and utility mobile equipment used at DNA installations. Funds also provide for the procurement of other capital equipment essential to the support of DNA missions.

Justification of Funds

1. Vehicles: The vehicle program requires the replacement of twenty (20) vehicles at a cost of \$413 thousand in FY 1990 and twenty-eight (28) vehicles in FY 1991 at a cost of \$433 thousand.

2. Other Capital Equipment: The capital equipment program consists of:

(a) The acquisition of ADP equipment in the amount of \$1,581 thousand in FY 1990 and \$6,319 thousand in FY 1991. This includes workstations and additional hardware to continue the modernization of the Worldwide Military Command and Control System (WWMCCS) Information System (WIS). The workstations will be available under the Common User Subsystem (CUS) contract and will support office automation, management information system message processing, data entry and graphics application. Modernization is necessary for WWMCCS to continue providing operational and logistical nuclear weapons information to WWMCCS sites worldwide.

PROCUREMENT, DEFENSE AGENCIES

Defense Nuclear Agency (continued)

(b) The office automation program is continuing into FY 1990 (\$1,330 thousand in FY 1990 and \$900 thousand in FY 1991) and will continue through FY 1992. This program is necessary for DNA to maintain its level of competence in processing data in a decreasing manpower structure.

(c) In support of a DNA mission directed by the Joint Chiefs of Staff, \$247 thousand of security equipment will be acquired in FY 1990 and \$82 thousand in FY 1991. Additional equipment and replacement components must be purchased for the program to maintain established schedules.

(d) Productivity Investment Funds (PIF) in the amount of \$400 thousand will be used for the project Phoenix. Phoenix upgrades include acquisition of a clear room test capability and the capability to perform soft x-ray testing. In FY 1991 Productivity Investment Funds (PIF) in the amount of \$1,600 thousand will be used to modify DNA x-ray above ground testing facilities and upgrade the instrumentation to provide better quality data and limit system degradation due to lengthy exposure to test environment.

PROCUREMENT, DEFENSE AGENCIES

OFFICE OF THE SECRETARY OF DEFENSE
and DoD FIELD ACTIVITIES

	(\$ in Thousands)
FY 1991 Estimate	105,508
FY 1990 Estimate	108,708
FY 1989 Estimate	120,373
FY 1988 Actual	127,248

Purpose and Scope

These funds provide for procurement of mission essential new and replacement equipment for the Office of the Secretary of Defense, including the Unmanned Aerial Vehicle Program, and the Department of Defense (DoD) Field Activities. DoD Field Activities include the Washington Headquarters Services, the American Forces Information Service, the Civilian Health and Medical Program of the Uniformed Services, the Department of Defense Dependents Education, the Defense Medical Support Activity and the Defense Technology Security Administration. In past years, this program has also supported the Office of Economic Adjustment, a DoD Field Activity, and the United States Court of Military Appeals.

Justification of Funds

1. Major Equipment

a. The Washington Headquarters Services (WHS) request of \$43,932 thousand in FY 1990 and \$39,945 thousand in FY 1991 funds mission essential capital investment equipment in support of various Office of the Secretary of Defense activities that support Department of Defense missions in areas of policy and program planning; command, control, and communications; and financial management. Planned equipment purchases include mainframe computers and associated peripherals, communications hardware, microcomputers, network cabling and related equipment, building security systems, and other office equipment.

b. The American Forces Information Service (AFIS) FY 1990 program of \$3,325 thousand and FY 1991 program of \$3,298 thousand will primarily provide for the acquisition of state-of-the-art equipment and normal replacement of broadcast equipment. The equipment will benefit and give better service to approximately 70 manned and over 1,000 unmanned Armed Forces Radio and Television (AFRTS) outlets worldwide. There will be four additional sites added to the overseas AFRTS Management Information Systems (ONET).

PROCUREMENT, DEFENSE AGENCIES

Office of the Secretary of Defense
and DoD Field Activities (Continued)

American Forces Press & Publications (AFP&P) will upgrade the outdated IBM Display Writers with a Desk Top Printing System. Armed Forces Radio and Television Service-Broadcast Center (AFRTS-BC) will provide normal replacement of Broadcast equipment. The replacement schedule is based on industry standards and life expectancy of the equipment.

c. The Department of Defense Dependents Education (DoDDE) funding of \$2,766 thousand in FY 1990 and \$2,415 thousand in FY 1991 provides for: automatic data processing equipment to support the current education initiatives in computer literacy and school administration requirements; athletic equipment for the football teams, basketball teams, gymnastics and outdoor playgrounds; office equipment for copiers, printers, and microfiche to support school administration and business education classes; and vocational, kitchen, and logistical equipment to support educational classes such as automobile mechanics, photography, home economics; and playground, sports areas, and general maintenance requirements.

d. The Defense Medical Support Activity (DMSA) FY 1990 procurement program of \$21,602 thousand and FY 1991 will be used to procure automated data processing equipment at Defense Medical Facility sites.

e. The Defense Technology Security Administration (DTSA) \$5,729 thousand procurement program in Fiscal Year 1990 will be directed in the following areas: acquisition of 123 High Technology Export License Review and Analysis System for the 1990's (HI-TRAC 90) TEMPEST workstations for analysts and engineers to permit the semi-automatic processing of over 30,000 license applications per year and for acquisition of a mainframe system for development of a prototype export license program, incorporating existing system features to assist in the case review. Major emphasis will be placed on embedding new secure TEMPEST hardware devices necessary to preserve the integrity of all voice, data, and image information. Acquisition of this equipment is necessary to provide for rapid and effective processing of export license applications to ensure that U.S. industry is able to compete in the world market and ensuring national security is not adversely affected. DTSA's FY 1991 procurement program of \$6,499 thousand will provide for: the purchase of a replacement mainframe computer which will be capable of applying artificial intelligence (AI) concepts to the processing of export licenses and to meet other mission essential

PROCUREMENT, DEFENSE AGENCIES

Office of the Secretary of Defense
and DoD Field Activities (Continued)

information processing requirements; acquisition of HI-TRAC 90 TEMPEST workstations; and development and implementation of the HI-TRAC 90 system with additional upgrades to include modern optical disk subsystems to transmit export license technical drawings digitally throughout the DoD-wide export license system. The existing mini-computer is based on 1970's technologies and will have reached the end of its life cycle. Additionally, due to its aging technology, advanced software will no longer be available. This investment in automation enhancements includes connectivity links to other agencies participating in the HI-TRAC 90 program, i.e., the Department of Commerce, State, Treasury and Energy, and the intelligence agencies (CIA, DIA, NSA and the FBI).

f. The CHAMPUS Fiscal Year 1990 Procurement Program of \$1,373 thousand will fund the purchase of a new central processing unit (CPU) and additional associated hardware (disk packs, printers, etc.) for OCHAMPUS at the main headquarters in Denver. The current CPU was purchased over six years ago as part of an automated office system. The increased complexity and diversification of the CHAMPUS program requires a more sophisticated and larger capability machine to meet operational needs. The CHAMPUS Fiscal Year 1991 procurement program of \$348 thousand completes the systems upgrade begun in FY 1990. The funds will be used to purchase the final peripheral equipment (tape drives, processors, etc.) necessary to complete the upgrade. This upgrade, which has been planned for several years, will allow CHAMPUS to satisfactorily respond to the increased ADP demand from the military services.

2. Unmanned Aerial Vehicles

The Department of Defense Joint Unmanned Aerial Vehicle (UAV) Program consists of a family of non-lethal systems including existing Pioneer systems and planned Short Range, Medium Range, and Close/Endurance joint systems. The FY 1990 program funding of \$29,981 thousand and the FY 1991 funding of \$24,868 thousand will purchase training support and replacement hardware for Pioneer systems. It will also buy upgrade hardware items for Short Range joint systems undergoing test and evaluation during FY 1991.

PROCUREMENT, DEFENSE AGENCIES

Inspector General, Department of Defense (OIG)

	<u>(\$ In Thousands)</u>
FY 1991 Estimate	-
FY 1990 Estimate	-
FY 1989 Estimate	958
FY 1988 Actual	1,426

Purpose and Scope of Work

The Office of the Inspector General has been vigorously pursuing an information management system acquisition program. This program includes office automation and computer processing equipment. The IG has been developing a total IG ADP system, standardizing the IG, in terms of compatibility of hard and software, and upgrading those systems already in use. The complex environment in which the auditors, investigators and inspectors perform their duties make this the only realistic course of action. It is impossible to function effectively or efficiently without computer assistance.

Justification of Funds

FY 1990 and subsequent year funding for the OIG has been transferred to the Office of the Inspector General Appropriation.

PROCUREMENT, DEFENSE AGENCIES

	(\$ In Thousands)
<u>The Joint Chiefs of Staff</u>	
FY 1991 Estimate	26,351
FY 1990 Estimate	24,040
FY 1989 Estimate	26,397
FY 1988 Actual	26,072

Purpose and Scope of Work

These funds provide for procurement of equipment essential to the mission of the Joint Staff in support of the CINC C2 Initiatives Program, centralized data processing, improved office automation, wargaming, force planning and analysis, security systems, and document storage.

Justification of Funds

The majority of the funds requested will support the immediate command and control requirements of the CINCS through the CINC C2 Initiatives Program (C2IP). In FY 1990, \$13.7 million is required to fund this program. In FY 1991, \$14.3 million will be provided for C2IP.

The FY 1990 submission also includes \$3.9 million for computer hardware under the Modern Aids to Planning Program. These funds will provide a state-of-the-art, analytical capability to the unified and specified commands. Three major site upgrades, nine minor site upgrades, and developmental site upgrades are scheduled for FY 1990. In FY 1991, \$4.8 million will provide for an additional four major site upgrades, minor upgrades at nine sites, and developmental site upgrades.

In addition, the FY 1990 and FY 1991 requests include continued procurement in support of the Joint Information Management System (\$3.2 million in FY 1990 and \$2.3 million in FY 1991). In FY 1990, funds in the amount of \$1.6 million are needed to purchase two data base machines for processing and management of corporate data, and \$660 thousand is required for system integration. The FY 1990 budget also includes \$984 thousand for high density computer memory. This will supplement the existing archival capabilities now

PROCUREMENT, DEFENSE AGENCIES

The Joint Chiefs of Staff (continued)

being implemented and provide a full text search capability not otherwise available. In FY 1991, funds in the amount of \$397 thousand are needed to purchase equipment supporting management of corporate data and \$850 thousand for additional work on system integration. The FY 1991 budget also includes \$1 million for high density computer memory. These funds are required to support installation of optical character reader workstations and an office archiving system, which require high density storage technology.

The FY 1990 and FY 1991 requests include continued procurements for Military Net Assessment (\$855 thousand in FY 1990 and \$1.1 million in FY 1991). These funds will be used to procure hardware for evaluating proposed force and strategy options.

The FY 1990 request also includes \$795 thousand for the purchase and upgrade of computer hardware for Nuclear Forces Analysis. In FY 1991, \$894 thousand is required for additional workstations, optical disks, and graphic printers to advance modeling techniques. This program directly supports the Chairman and the Joint Chiefs of Staff in their responsibility to advise the Secretary of Defense and the President concerning strategic and non-strategic nuclear force issues.

The FY 1991 budget includes \$1.2 million to upgrade the hardware of the Joint Staff Support Information System. These funds are needed to consolidate up to six Wang VS-85 computers into two processors. This will greatly reduce floor space requirements and operation and maintenance costs.

Other procurements of \$1.6 million in FY 1990 and \$1.8 million in FY 1991 are required for various systems. These systems include the Logistic Readiness Center, the Joint Industrial Mobilization Planning Process, the Joint Center for Lessons Learned, and the War Game Support System. Also included are the Force Planning, Programming, and Budgeting Analysis Program; the In-Place Monitoring System; audio visual equipment; and other computer equipment to be used in the Force Structure, Resource, and Assessment Directorate.

PROCUREMENT, DEFENSE AGENCIES

On-Site Inspection Agency

	<u>\$ in Thousands</u>
FY 91 Estimate	1,000
FY 90 Estimate	952
FY 89 Estimate	48
FY 88 Estimate	1,300

Purpose and Scope of Work

To provide resources necessary to procure new investment items for the On-Site Inspection Agency.

Justification of Funds

In FY 1990, \$952 thousand will provide for ADP equipment required to support the Local Area Network (LAN) for an office automation system. Specifically, FY 1990 funds will procure workstations, a removable disk drive, controllers, printers, connecting hardware, software packages, and a secure telephone system.

The FY 1991 request of \$1.0 million will continue procurement for the LAN by providing additional workstations, printers, and equipment for an Operations Center to support the increases of manpower.

PROCUREMENT, DEFENSE AGENCIES

Uniformed Services University of the Health Sciences

	(\$ in Thousands)
FY 1991 Estimate	990
FY 1990 Estimate	881
FY 1989 Estimate	855
FY 1988 Actual	834

Purpose and Scope of Work

These funds provide for the cost of equipment required for the operation of the F. Edward Hebert School of Medicine in the Uniformed Services University of the Health Sciences. USUHS was established to ease the critical shortage of military physicians. Its mission is to provide high quality career dedicated military and Public Health Service physicians. The current level of operation of the University is designed to produce a core cadre of approximately 25 to 28 percent of the projected total military physician requirement.

Justification of Funds

The FY 1990/1991 budget estimates will provide essential equipment for: teaching a full medical curriculum; equipping laboratories and animal facilities in support of the clinical investigation programs; and for the full range of administrative and support functions an educational facility requires. The funds provide for the replacement of technologically outmoded or no longer economically repairable equipment and for the acquisition of new items to the equipment inventory.

PROCUREMENT, DEFENSE AGENCIES

CLASSIFIED PROGRAMS

	<u>(\$ In Thousands)</u>
FY 1991 Estimate	1,010,820
FY 1990 Estimate	960,309
FY 1989 Estimate	832,296
FY 1988 Actual	1,008,440

Purpose and Scope of Work

These funds provide for classified equipment procured by the Defense Intelligence Agency, National Security Agency, Defense Reconnaissance Support Program and the Airborne Reconnaissance Support Program.

Justification of Funds

Justification for these programs is provided to the Congress in classified documents.

Justification for the Defense Intelligence Agency program is contained in the General Defense Intelligence Program and Foreign Counterintelligence Program sections of the National Foreign Intelligence Program Congressional Budget Justification book.

Justification for the National Security Agency Program is contained in the Consolidated Cryptologic Program, the Tactical Cryptologic Program and the Communications Security Congressional Budget Justification books.

Justification for the Defense Reconnaissance Support Program and the Airborne Reconnaissance Support Program is contained in the Tactical Intelligence and Related Activities (TIARA) Congressional Budget Justification book.

COMPARISON OF FY 1988 PROGRAM REQUIREMENTS AS REFLECTED IN AMENDED FY 1988/1989 BIENNIAL BUDGET WITH FY 1988 PROGRAM REQUIREMENTS AS SHOWN IN FY 1990/1991 BIENNIAL BUDGET

SUMMARY OF REQUIREMENTS (In Thousands of Dollars)

	Total Program Rqmts Per Amended FY 1988/1989 Budget	Total Program Rqmts Per FY 1990/ 1991 Budget	Increase (+) or Decrease (-)
Defense Communications Agency	33,444	33,444	-
Defense Contract Audit Agency	8,072	8,072	-
Defense Investigative Service	3,119	3,119	-
Defense Logistics Agency	74,093	72,793	-1,300
Defense Mapping Agency	15,678	15,678	-
Defense Nuclear Agency	4,337	4,337	-
Office, Secretary of Defense	126,248	127,248	+1,000
Office, Inspector General	1,426	1,426	-
Office, Joint Chiefs of Staff	26,072	26,072	-
On-Site Inspection Agency	-	1,300	+1,300
Uniformed Services University of the Health Services	834	834	-
Classified Programs	<u>1,007,840</u>	<u>1,008,440</u>	<u>+600</u>
Direct Program, Subtotal	1,301,163	1,302,763	+1,600
Reimbursable Program	<u>266,400</u>	<u>308,421</u>	<u>+42,021</u>
Total Fiscal Year Requirements	1,567,563	1,611,184	+43,621

EXPLANATION OF FY 1988 AGENCY CHANGES

Defense Logistics Agency - (\$-1,300 Thousand)

The reduction is based on reduced requirements for telecommunications equipment

Office of the Secretary of Defense - (\$+1,000 Thousand)

The increase reflects a transfer from another Defense agency for an emergent ADP requirement for the Office of the Secretary of Defense.

On-Site Inspection Agency (\$+1,300 Thousand)

The increase reflects a transfer from DLA for ADP equipment, a receiving facility and an operations center to support the INF treaty.

Classified Program - (\$+600 Thousand)

The net increase reflects a transfer of \$4,200 thousand from the ADPE Management Fund, a transfer of \$1,000 thousand transferred to the Office of the Secretary of Defense for an emergent requirement, and a reduction of \$2,600 thousand for a previously planned reprogramming action which was not executed.

Reimbursable Program (\$+42,021 Thousand)

The increase in the FY 1988 reimbursable program reflects actual obligations incurred.

COMPARISON OF FY 1988 FINANCING AS REFLECTED
IN AMENDED FY 1988/1989 BUDGET WITH FY 1988 FINANCING AS
SHOWN IN FY 1990/1991 BIENNIAL BUDGET

(In Thousands of Dollars)

	<u>Financing Per FY 1988/1989 Amended Budget</u>	<u>Financing Per FY 1990/1991 Budget</u>	<u>Increase (+) or Decrease (-)</u>
Program Requirements (Total)	1,567,563	1,611,184	+43,621
Program Requirements (Direct)	(1,301,163)	(1,302,763)	(+1,600)
Program Requirements (Reimbursable)	(266,400)	(308,421)	(+42,021)
Less:			
Anticipated Reimbursements	266,400	308,421	+42,021
Available To Finance New Budget Plans	106,000	106,000	-
Reprogramming From/To Prior Year Budgets	-	-4,942	-4,942
Add:			
Unobligated Balance Lapsing	-	<u>4,942</u>	<u>+4,942</u>
Appropriation	1,195,163	1,196,763	+1,600

EXPLANATION OF CHANGES IN FY 1988 FINANCING

Program Requirements (Direct)

The net increase reflects a transfer of \$4.2 million from the ADP Management Fund to a classified program and a reduction for a previously planned but unexecuted reprogramming to a classified agency of \$2.6 million.

Program Requirements (Reimbursable)

The increase in the reimbursable program reflects actual orders received in FY 1988.

Anticipated Reimbursements

The increase in reimbursements reflects actual orders received in FY 1988.

Reprogramming To/From Prior Year Budget Plan

The \$.4.9 million adjustment represents the decrease in available funds for obligation due to lapsed authority.

Unobligated Balance Lapsing

The increase represents funds lapsing for new obligations.

COMPARISON OF FY 1989 PROGRAM REQUIREMENTS AS REFLECTED IN AMENDED FY 1988/1989 BIENNIAL BUDGET WITH FY 1989 PROGRAM REQUIREMENTS AS SHOWN IN FY 1990/1991 BIENNIAL BUDGET

SUMMARY OF REQUIREMENTS (In Thousands of Dollars)

	Total Program Rqmts Per Amended FY 1988/1989 Budget	Total Program Rqmts Per FY 1990/ 1991 Budget	Increase (+) or Decrease (-)
Defense Communications Agency	42,235	42,072	-163
Defense Contract Audit Agency	3,517	3,517	-
Defense Investigative Service	2,426	2,426	-
Defense Logistics Agency	101,052	75,758	-25,294
Defense Mapping Agency	73,708	73,423	-285
Defense Nuclear Agency	3,430	3,430	-
Office, Secretary of Defense	135,889	120,373	-15,516
Office, Inspector General	958	958	-
Office, Joint Chiefs of Staff	26,500	26,397	-103
On-Site Inspection Agency	-	48	+48
Uniformed Services University of the Health Services	855	855	-
Classified Programs	<u>825,530</u>	<u>832,296</u>	<u>+6,766</u>
Direct Program, Subtotal	1,216,100	1,181,553	-34,547
Reimbursable Program	<u>232,000</u>	<u>402,130</u>	<u>+170,130</u>
Total Fiscal Year Requirements	1,448,100	1,583,683	+135,583

EXPLANATION OF FY 1989 AGENCY CHANGES

Defense Communications Agency - (\$-163 Thousand)

The decrease of \$163 thousand reflects revised inflation estimates and has been proposed for transfer to another appropriation.

Defense Logistics Agency - (\$-25,294 Thousand)

The decrease of \$25,294 thousand reflects Congressional action and a reduction based on revised inflation estimates.

Defense Mapping Agency - (\$-285 Thousand)

The decrease reflects revised inflation estimates.

Office, Secretary of Defense - (\$-15,516 Thousand)

The decrease reflects Congressional action of \$15,000 thousand to reduce the Unmanned Aerial Vehicles program and a reduction of \$468 thousand resulting from revised inflation estimates. An additional amount of \$48 thousand has been transferred to the On-Site Inspection Agency.

Office, Joint Chiefs of Staff - (\$-103 Thousand)

The decrease reflects revised inflation estimates.

On-Site Inspection Agency - (\$+48 Thousand)

The increase provides for the procurement of two vehicles for use at the Soviet site.

Classified Program - (\$+6,766 Thousand)

The net increase of \$6,766 thousand reflects Congressional action that increased the program by \$10.0 million and reflects a reduction of \$3,234 thousand based on revised inflation estimates.

EXPLANATION OF FY 1989 AGENCY CHANGES (CONTINUED)

Reimbursable Program - (\$+10,500 Thousand)

The increase in FY 1989 reflects an unanticipated increase in reimbursable orders for several Defense Agencies.

COMPARISON OF FY 1989 FINANCING AS REFLECTED
IN AMENDED FY 1988/1989 BUDGET WITH FY 1989
FINANCING AS SHOWN IN FY 1990/1991 BUDGET

(In Thousands of Dollars)

	<u>Financing Per Amended FY 1988/1989 Budget</u>	<u>Financing Per FY 1990/1991 Budget</u>	<u>Increase (+) or Decrease (-)</u>
Program Requirements (Total)	1,448,100	1,583,683	+135,583
Program Requirements (Direct)	(1,216,100)	(1,181,553)	(-34,547)
Program Requirements (Reimbursable)	(232,000)	(402,130)	(+170,130)
Less:			
Anticipated Reimbursements	<u>232,000</u>	<u>402,130</u>	<u>+170,130</u>
Appropriation	1,216,100	1,181,553	-34,547

EXPLANATION OF CHANGES IN FY 1989 FINANCING

Procurement Requirements (Direct Program)

The decrease of \$34.5 million reflects the net result of congressional actions that reduced the program \$30.0 million and the additional reduction of \$4.5 million resulting from revised inflation estimates which has been proposed for transfer to other appropriations.

Reimbursable Programs

The increase of \$170.1 million reflects increases in reimbursable orders in several Agencies.

DEFENSE PRODUCTION ACT PURCHASES

DEFENSE PRODUCTION ACT PURCHASES
FOR FISCAL YEAR 1990/1991

For purchases or commitments to purchase metals, minerals, or other materials by the Department of Defense pursuant to section 303 of the Defense Production Act of 1950, as amended (50 U.S.C. App. 2093); [\$33,500,000] \$10,700,000 [of] which [\$27,500,000] shall remain available for obligation until September 30, [1991, and of which \$6,000,000 for a project to develop a reliable supply of titanium ore from ilmenite shall remain available until September 30, 1993] 1992.

Further, for the foregoing purposes, \$14,100,000, to become available for obligation on October 1, 1990 and to remain available for obligation until September 30, 1993. (Department of Defense Appropriations Act, 1989.)

Budget Plan (amounts for PROCUREMENT
 actions programmed)

Identification code	1988 actual	1989 est.	1990 est.	1991 est.
10.0001	13,000	33,500	10,700	14,100
Program by activities:				
Total (object class 26.0)				
Financing:				
Unobligated balance available, start of year:				
21.4002				
For completion of prior year budget plans				
Unobligated balance available, end of year:				
24.4002				
For completion of prior year budget plans				
40.0001	13,000	33,500	10,700	14,100
Budget authority (Appropriation)				
Relation of obligations to outlays:				
71.0001				
Obligations incurred, net				
72.4001				
Obligated balance, start of year				
74.4001				
Obligated balance, end of year				
90.0001				
Outlays				

Obligations

Identification code	97-0360-0-1-051	1988 actual	1989 est.	1990 est.	1991 est.
Program by activities:					
10.0001	Total (object class 26.0)	29,721	13,410	14,025	32,360
Financing:					
Unobligated balance available, start of year:					
21.4002	For completion of prior year budget plans	-42,481	-25,760	-45,850	-42,525
24.4002	Unobligated balance available, end of year:	25,760	45,850	42,525	24,265
	For completion of prior year budget plans				
40.0001	Budget authority (Appropriation)	13,000	33,500	10,700	14,100
Relation of obligations to outlays:					
71.0001	Obligations incurred, net	29,721	13,410	14,025	32,360
72.4001	Obligated balance, start of year	9,510	38,262	47,272	55,597
74.4001	Obligated balance, end of year	-38,262	-47,272	-55,597	-84,657
90.0001	Outlays	970	4,400	5,700	3,300

Identification code	97-0360-0-1-051	1988 actual	1989 est.	1990 est.	1991 est.
126.001	Supplies and materials	29,721	13,410	14,025	32,360
199.001	Total Direct obligations	29,721	13,410	14,025	32,360
999.901	Total obligations	29,721	13,410	14,025	32,360

DEFENSE PRODUCTION ACT PURCHASES

(\$ IN THOUSANDS)

FY 1991 Estimate	14,100
FY 1990 Estimate	10,700
FY 1989 Actual	33,500
FY 1988 Actual	13,000

Purpose and Scope of Work

These funds will be used for the purchase or commitments to purchase metals, minerals, or other materials required by the Department of Defense (DoD). The resulting contracts will provide for the delivery of two products essential to the national security. First is acquisition of the specific commodity, metal, mineral or other materials, required as part of the military weapon system. The second, is the new or increased domestic industrial capacity established to produce the specific commodity. This new or expanded capacity adds to the viability of the defense industrial base, permits the implementation of the Five Year Defense Program and increases the deterrent capability represented by a responsive domestic industry.

The definition of products for Title III contracts is defined as individual or combinations of industrial commodities from the basic form to the completed material, item, assembly, or system including the industrial process and machinery required for the manufacturing and production process.

Background

As set forth in the President's National Security Decision Directive No. 47, dated July 22, 1982, import and export controls and Defense Production Act (DPA) authorities should be used to increase the capability of industry and infrastructure systems in cases where the free-market cannot reasonably be expected to provide the required national security capability in a timely manner. It is DoD policy to rely primarily on the commercial marketplace for development and production of weapons systems and hardware. However, DoD is confronted with increasing imports from foreign sources of supply which have reduced the capability of the domestic industrial base to supply needed commodities. During periods when shortage of these commodities are experienced by the DoD, the priorities and allocations provisions (Title I), of the Defense Production Act

are utilized. Title I allocates the available supply giving first preference to the National Security programs, primarily defense contracts. In situations where the available domestic supply is insufficient to meet the national security need, Title I is not adequate. As assurance for these situations, the U.S. maintains the Strategic and Critical Materials Stockpile, more commonly referred to as the National Defense Stockpile, to supply the military, industrial and essential civilian needs for industrial materials.

The industrial materials in the Stockpile inventory are only basic commodities, primary metals and minerals which require further processing and are only available, in accordance with the Stockpile Law, for a national emergency. These commodities are not available to the DoD for peacetime production shortages, and even if they were to become available, they often are not readily usable for defense related production without additional time-consuming and energy intensive processing. Therefore, other tools must be found to increase the domestic supply of specific commodities needed to meet defense requirements.

Title III of the DPA is the existing authority which has a proven record of success in providing long-term, cost effective, economic incentives to encourage private sector investment. (During the Korean War, approximately \$8.4 billion of industrial facilities were established with a government outlay of less than \$0.9 billion.) The DPA, under Title III, provides authority to incentivize industry to invest in new or expanded capacity through grants, loans, loan guarantees, purchases, or purchase commitments. Title III funds will be used solely for purchase or purchase commitment contracts. The rationale for using only purchase or purchase commitment contracts is to minimize Government risk with no outlay of funds until an acceptable product is delivered, while reducing private sector investment risk.

Title III is a cost effective alternative to increasing the size and scope of the Strategic and Critical Materials Stockpile. In most cases this approach provides greater flexibility, reduces material cost, requires lower inventory levels, increases the gross national product, provides a stable workforce and improves our deterrent capability through a responsive domestic industrial base.

To increase domestic capabilities, the private sector must see the advantages of additional investments and have reasonable assurance of the success of the new or expanded industrial capability. In order to achieve this, incentives are needed. In industries where capital formation is not difficult and the investment is minimal and short term, tax incentives may be sufficient. However, industries requiring large initial investment and which are subject to market competition from large, world producers require additional encouragement.

A Title III purchase or purchase commitment is a supply contract which is designed to assure the government of a secure source of industrial capability and products critical to the national defense. Under these contracts, the Department of Defense through competitive contracting procedures, agrees to purchase a specified quantity of materials over a particular period of time at a *prenegotiated price*. The purchaser and seller both understand there is the risk that at any given time the market price may either be more or less than the negotiated contract price. However, the seller is willing to take the risk for assurance that the output will be procured. The purchaser, in this case the U.S. Government, is willing to take the risk for assurance of a viable industrial capability and a stable supply of critical national security products.

Summary of Projects and Estimated Cost

FY 1990 Projects

1. TITLE: RHENIUM METAL

Cost: \$4.6 million

This project will provide incentives to industry to expand the production capacity of rhenium metal by 6,000 pounds per year. Today, domestic capacity for rhenium metal is estimated at only 3,000 pounds/year. This capacity will not support forecasted needs to assure peacetime or surge requirements.

Rhenium has been added in small amounts to alloys thereby producing superalloys which have been demonstrated to have superior strengths and fatigue characteristics and higher melting points. These superalloys are ideal in today's environment where military aircraft engines are being designed to achieve increased thrust to weight ratio to gain performance and must withstand higher temperatures and meet life requirements. The total cost of the rhenium project is estimated to be \$6.4 million in FY 1990 - FY 1991.

2. TITLE: SILICON-ON-INSULATOR

Cost: \$6.1 million

The DoD has an increasing demand for radiation-hardened semiconductor electronic devices for use in current and advanced weapons systems such as the Manpack, S-3A aircraft, Stinger, Peacekeeper, small ICBM, MILSTAR and GPS satellite. The fabrication of electronic devices on silicon-on-insulator material provides the hardenability required to assure total operational capability. Silicon-on-insulator wafers, using materials such as sapphire as the insulator, are required to produce electronic systems highly resistant to environmental influences, particularly external radiation. This project will establish a domestic capability to manufacture four inch or larger silicon-on-insulator wafers. The wafers will then be provided to industrial users as specified for critical DoD radiation-hardened and high-speed integrated circuit needs.

This project was approved in FY 1986 and FY 1990 funds are for a follow-on purchase commitment in which the contractor expands his production capacity and the Government obtains the benefits from its initial investment in phase I. The total cost of the silicon-on-insulator project is estimated to be \$23.0 million in FY 1986 through FY 1990.

TOTAL \$10.7 million

FY 1991 Projects

1. TITLE: RECLAMATION OF SUPERALLOY SCRAP

Cost: \$12.3 million

This project was approved in FY 1986, FY 1987 and FY 1988. The FY 1991 funds are for the follow-on phase during which the contractor will achieve a full production capacity of 2,000,000 pounds of quality chromium metal/chromium-nickel alloy per year.

2. TITLE: RHENIUM METAL

Cost: \$1.8 million

This is a follow-on to the project approved in FY 1990 and FY 1991 funding will complete phase II, expanding capacity of rhenium metal by 6,000 pounds per year.

TOTAL \$14.1 million

NATIONAL GUARD AND RESERVE EQUIPMENT

(NATIONAL GUARD AND RESERVE EQUIPMENT)

[For procurement of aircraft, missiles, tracked combat vehicles, ammunition, other weapons, and other procurement for the reserve components of the Armed Forces; \$1,138,801,000 to remain available for obligation until September 30, 1991.] (Department of Defense Appropriations Act, 1989)

Budget Plan (amounts for PROCUREMENT actions programmed)

Identification code	97-0350-0-1-051	1988 actual	1989 est.	1990 est.	1991 est.
Program by activities:					
Direct program:					
00.0101	Reserve Equipment	392,900	483,400		
00.0201	National Guard Equipment	614,100	655,401		
10.0001	Total	1,007,000	1,138,801		
Financing:					
17.0001	Recovery of prior year obligations				
21.4002	Unobligated balance available, start of year:				
21.4003	For completion of prior year budget plans		-193,000		
21.4007	Available to finance new budget plans				
22.4001	Reprogramming from/to prior year budget plans	-17,900			
22.4001	Unobligated balance transferred from other accounts (-)	-2,352	193,000		
24.4002	Unobligated balance available, end of year:	-4,000			
24.4003	For completion of prior year budget plans	193,000			
25.0001	Available to finance subsequent year budget plans	6,352			
25.0001	Unobligated balance lapsing				
39.0001	Budget authority	1,182,100	1,138,801		
Budget authority:					
40.0001	Appropriation	1,200,000	1,138,900		
40.0004	Reduction pursuant to P.L. 100-463		-99		
40.0017	Appropriation rescinded (unobligated balance)	-17,900			
43.0001	Appropriation (adjusted)	1,182,100	1,138,801		
Relation of obligations to outlays:					
71.0001	Obligations incurred, net				
72.4001	Obligated balance, start of year				
74.4001	Obligated balance, end of year				
77.0001	Adjustments in expired accounts				
78.0001	Adjustments in unexpired accounts				
90.0001	Outlays				

Obligations

Identification code	97-0350-0-1-051	1988 actual	1989 est.	1990 est.	1991 est.
Program by activities:					
Direct program:					
00.0101	Reserve Equipment	562,347	442,055	223,115	73,400
00.0201	National Guard Equipment	604,687	668,647	105,393	40,480
10.0001	Total	1,167,034	1,110,702	328,508	113,880
Financing:					
17.0001	Recovery of prior year obligations	-82,355			
21.4002	Unobligated balance available, start of year:				
	For completion of prior year budget plans	-494,321	-414,289	-442,388	-113,880
21.4003	Available to finance new budget plans	-17,900	-193,000		
21.4007	Reprogramming from/to prior year budget plans				
22.4001	Unobligated balance transferred from other accounts (-)	-4,000	193,000		
24.4002	Unobligated balance available, end of year:				
	For completion of prior year budget plans	414,289	442,388	113,880	
24.4003	Available to finance subsequent year budget plans	193,000			
25.0001	Unobligated balance lapsing	6,352			
39.0001	Budget authority	1,182,100	1,138,801		
Budget authority:					
40.0001	Appropriation	1,200,000	1,138,900		
40.0004	Reduction pursuant to P.L. 100-463	-17,900	-99		
40.0017	Appropriation rescinded (unobligated balance)				
43.0001	Appropriation (adjusted)	1,182,100	1,138,801		
Relation of obligations to outlays:					
71.0001	Obligations incurred, net	1,167,034	1,110,702	328,508	113,880
72.4001	Obligated balance, start of year	1,522,691	2,064,338	2,353,340	1,727,848
74.4001	Obligated balance, end of year	-2,064,338	-2,353,340	-1,727,848	-1,229,928
77.0001	Adjustments in expired accounts	-6,710			
78.0001	Adjustments in unexpired accounts	-82,355			
90.0001	Outlays	536,322	821,700	954,000	611,800

Identification code	1988 actual	1989 est.	1990 est.	1991 est.
97-0350-0-1-051				
Direct obligations:				
131.001 Equipment	1,167,034	1,110,702	328,508	113,880
199.001 Total Direct obligations	1,167,034	1,110,702	328,508	113,880
999.901 Total obligations	1,167,034	1,110,702	328,508	113,880

ADP EQUIPMENT MANAGEMENT FUND

(ADP EQUIPMENT MANAGEMENT FUND)

[For the purchase of automatic processing (ADP) equipment: \$100,000,000.] (Department of Defense Appropriations Act, 1986, as included in Public Law 99-190).

Identification code	97-3910-0-4-051	1988 actual	1989 est.	1990 est.	1991 est.
Financing:					
	Unobligated balance available, start of year:				
21.9801	Unobligated balance, SOY: Fund balance	-65,269	-61,552	-61,552	-61,552
22.9801	Fund balance transferred to other accounts	3,717			
	Unobligated balance available, end of year:				
24.9801	Unobligated balance, EOY: Fund balance	61,552	61,552	61,552	61,552
39.0001	Budget authority				
Budget authority:					
41.0001	Transferred to other accounts(-)	-14,780			
42.0001	Transferred from other accounts	14,780			
43.0001	Appropriation (adjusted)				
Relation of obligations to outlays:					
71.0001	Obligations incurred, net				
90.0001	Outlays				